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Austria	Sch26	Indonesia	Rp3100	Philippines	Peso40
Bahrain	Din0.750	Iran	Rls210	Portugal	Esc150
Belgium	BFr65	Israel	Shk3.50	Qatar	QR9.50
Cyprus	C£0.90	Italy	L2000	S.Arabia	SR7.00
Denmark	DKr12.00	Jordan	Fils1000	Singapore	S$4.10
Egypt	E£3.25	Kuwait	Fils.500	Spain	Pta165
Finland	FMk9.50	Lebanon	L£400.00	Sweden	SKr12
France	FFr7.50	Lux	LFr65	Switz	SFr2.80
Germany	DM2.80	Malaysia	M$4.25	Thailand	Bht50
Greece	Dr150	Morocco	Dh8.00	Tunisia	Din0.800
Hong Kong	HK$12	Neth	Fl3.25	Turkey	L3400
Hungary	Ft107	Nigeria	Naira10	UAE	Dh7.00
Iceland	IKr160	Norway	NKr12.00		
India	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,137

Tuesday May 1 1990

D 8523A

GHANA

An economy running out of steam

Page 10

World News

Nationalists claim Latvia will vote for independence

Leaders of the nationalist movement in the Soviet Baltic republic of Latvia claimed enough support in the newly-elected parliament to vote this week for independence and join the republics of Lithuania and Estonia in open defiance of Moscow. Page 20

Tibet martial law

China is to lift martial law in the Tibetan capital of Lhasa, the official New China News Agency reported. China imposed martial law on March 8 last year after three days of pro-independence demonstrations and rioting. Page 8

Formal German links

The East and West German parliaments launched formal relations after a 40-year vacuum. Page 3

Nigerian detention

Nigeria closed one newspaper and detained the deputy editor of another as authorities searched for supporters of a failed coup. Page 8

Bombs kill five

At least five people were killed and more than 40 injured when bombs exploded in New Delhi and the Sikh holy city of Amritsar. Page 8

Defence budget up

Pakistan, engaged in a row with India over disputed Kashmir, has raised its defence budget by more than 11.6 per cent. Page 8

Embassy protest

Greece protested to Albania after police illegally entered the Greek embassy in the Albanian capital Tirana and dragged off a man seeking political asylum.

Rebels claim town

Ethiopian rebels said they had captured a strategic garrison town in northern Ethiopia amid heavy fighting. Page 10

Lithuanian option

Lithuania is considering the French-West German suggestion that it suspend its declaration of independence in order to negotiate with Moscow, its Prime Minister said. Page 20

UK plane crash

A Royal Air Force surveillance aircraft crashed on an island off Scotland's west coast killing all 10 people on board.

New rule for Lesotho

Lesotho's military government said it would establish a 109-member constituent assembly within three weeks to prepare the country for a return to democratic rule by 1992.

Kashmir rebel plan

Nine militant groups fighting Indian rule of their Kashmir homeland met in Pakistan to agree a common political and military strategy.

Church status stays

The US Supreme Court refused to revive a lawsuit seeking to strip the Roman Catholic Church of its tax-exempt status because of its anti-abortion activities. Page 6

Taiwan backs ship

China accused Taiwan of an act of "open provocation" in backing the Goddess of Democracy, a radio ship designed to broadcast anti-Government propaganda into the mainland. Page 20

Cuba accuses US

Cuba, citing what it called a "strange and dangerous" combination of US military exercises around the island, said Washington appeared to be preparing a surprise attack.

Romania denial

Romania's interim government denied that President Ion Iliescu opposed the execution of deposed dictator Nicolae Ceausescu and his wife during last December's revolution.

Business Summary

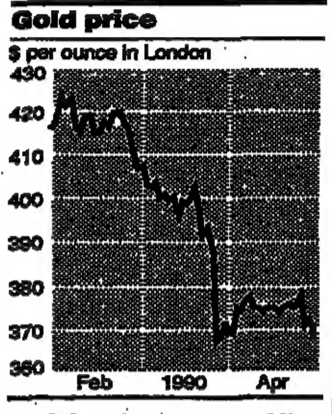
Stora offers DM540 for Feldmuhle Noble shares

Stora, Swedish pulp and paper group, surprised and disappointed holders of the outstanding 15 per cent of Feldmühle Nobel, the West German conglomerate in which it now has an 85 per cent stake, by offering only DM540 ($319.52) a piece for their shares, compared with the average of DM567 it paid in the earlier offer.

It is not yet clear whether the European Commission is to investigate the competitive effects of the acquisition of Feldmühle Nobel by Stora. Page 21

MARKETS: Gold – A small amount of selling by Middle East sources was enough to send the price of gold tumbling by $3.25 a troy ounce yesterday to $367.25 (£229), the lowest London closing level for seven months. Commodities, Page 34. On Wall Street, there was no sign of a bounce-back from last Friday's sharp fall as equities drifted modestly lower in very low volume. Tokyo was closed for the first of the Golden Week holidays. Markets, Back Page, Section II

Gold price



MOTOROLA, the leading US maker of semiconductors, is to build a $50m chip assembly plant in Japan. Page 4

LONDON UNITED INVESTMENTS, the insurance group, has revealed it needs to top up reserves by between £75m ($122m) and £100m to meet future claims. Page 12

BRITISH STEEL is on the verge of a significant breakthrough into the Iranian market, after winning a contract to help rebuild the country's rail network. Page 20

ALLIANZ of West Germany, Europe's biggest insurer, and Navigation Mixte, French financial services to food conglomerate, are to pool their French operations. Page 22

BMW, West German luxury carmaker, boosted 1989 group net profit by 23 per cent to DM558.1m ($330.23m) from DM454.9m the year before, the annual report said. Page 22

ARAB BANKING CORP, Arab world's largest bank, will go ahead with its $250m international share offering. The issue will be the first to foreign investors by a Gulf-based company. Page 25

TABACALERA, state controlled Spanish tobacco group now in the throes of diversification, has received a vote of confidence from the economy ministry following criticism of its management. Page23

AVON PRODUCTS, New York-based cosmetics and toiletries group, is again offering for sale its Japanese subsidiary after a Tokyo mail order company, called a halt to an agreement to buy control of the unit for $450m. Page 24

JAPANESE premier, Mr Toshiki Kaifu, announced a 3 per cent increase in aid commitments to India during the current year to Y100bn ($628.93m) Page 8

BRAZIL's car industry is set to resume full operation after halting production for the domestic market five weeksago. Page 23

I G Metall hits car output with strikes on 8.5% pay claim

By David Goodhart in Bonn

A WAVE of one-day strikes by the West German engineering union I. G. Metall yesterday halted production at car plants in the southern state of Baden-Württemberg.

The strikes came as the union stepped up its campaign for an 8.5 per cent pay rise and a cut in the working week from 37 to 35 hours. The West German inflation rate is currently running at just under 3 per cent.

The union said 65,000 workers had joined the stoppage at nine plants. The metal industry employers put the figure at 28,000. Daimler-Benz plants at Stuttgart-Untertürkheim and Sindelfingen were disrupted and output of 1,300 cars was lost.

Further warning strikes in the car, engineering and electronics industries are expected in other parts of the country over the next few days.

If these do not lead to concessions from the employers, voting on full strike action in selected plants will start in the middle of the month.

I. G. Metall's constitution requires 75 per cent support for strike action in a plant but the union has rarely lost such a vote in the post-war period.

The employers have offered a 5 per cent pay rise and have agreed to discuss a further cut in working time but only if this is co-ordinated with developments elsewhere in Europe and does not take place before 1993.

The employers also want to link cuts in working time to more flexible working patterns.

Despite the long and aggressive build-up to these negotiations – the first in the metal industry for three years – and the enormous public gulf between the two sides, most analysts still believe that prolonged strike action is unlikely.

The last important strike was in 1984 when I. G. Metall caused an annualised 8 per cent drop in gross national product in the second quarter of the year and won a reduction in the working week from 40 to 38.5 hours.

The union is weakened by a new law which makes it more difficult to cripple whole industries by calling out only a few key plants as it did in 1984.

Also, despite the strong loyalty that the union can usually draw upon, the swift and possi-

Continued on Page 20

S Korean workers in riot

By John Ridding in Seoul

THOUSANDS of workers from South Korea's biggest exporter, Hyundai, went on strike and fought pitched battles with police yesterday as the stock market index suffered a record one-day fall.

The index broke the record for a one-day points fall, prompted by the prospect of increased industrial unrest, heightened by threats of widespread strikes to commemorate international labour day, combined with more general economic concerns.

The fall in index reduced the value of the market by more than 4 per cent. It now stands more than 30 per below its all-time high which was recorded in April last year.

The decline has prompted sharp falls in the issues of convertible bonds, warrants and investment trusts which are traded on the euromarket.

Later in the day, more than 2,000 riot police raided South Korea's state-run television and radio station to end a 17-day strike by union members demanding the sacking of the government-appointed president. About 400 sit-in protesters were arrested.

In the south-eastern city of Ulsan, 3,000 dockworkers of Hyundai Heavy Industries, weilding petrol bombs and

Continued on Page 20

Strikers in Ulsan throw petrol bombs at riot police

British Gas heads for clash over imports from Norway

By David Thomas and Steven Butler in London

BRITISH GAS has plans to import large amounts of Norwegian gas from the mid-1990s – setting it on a collision course with the British Government which says there is enough gas in the UK sector of the North Sea to meet all the country's needs.

The Government also fears that large imports could delay development of Britain's gas reserves.

British Gas, However believes the Government has no authority to veto its plans. The company believes that it could import up to 10bn cubic metres of gas a year from 1995 – equivalent to almost a fifth of current British demand and worth about £600m ($978.00m) a year at the average price paid by British Gas for supplies in 1988-89.

The company is to tell the Department of Energy soon that it will not need to seek government permission to build a new pipeline or government support in negotiating a new treaty with Norway. This is because it intends to use spare capacity on the existing Frigg-St Fergus pipeline for its imports.

British Gas was allowed to buy Norwegian gas from the Frigg field in the 1970s when British gas reserves looked less abundant, but the Frigg field is now in rapid decline.

Government opposition to British Gas's new plans might trigger renewed friction between the Norwegian and British authorities, similar to that which occurred in 1985 when the UK Government vetoed a $30bn deal for the then nationalised British Gas to buy supplies from Norway's Sleipner field.

British Gas accepts that there are enough gas reserves in British waters to meet the UK's immediate needs, but it will tell the UK Government that the Norwegian gas is better suited to its commercial requirements.

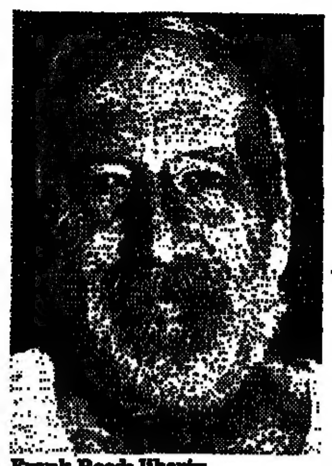
British Gas has decided that it must have access to a very large reservoir of gas for the second half of the 1990s, such as exists in Norway's Troll field. By contrast, the UK gas fields which are due to come on stream over the next few years are relatively small.

Moreover British Gas will tell the Government that it has to be free to secure its gas from whichever source offers the best terms, because independent gas distributors entering the deregulated British gas market will have this freedom.

British Gas agreed at the time of its privatisation in 1986 to consult the Government on proposals to import gas, but the company believes this does not give the Government a veto over its plans.

British Gas is confident that Statoil, the Norwegian state energy company, would be prepared to make the necessary investment to develop gas supplies from the Troll field for it. However, it has not yet started detailed negotiations with Statoil.

Statoil disclosed last month that it had held talks with more than 15 UK companies this year about supplying industrial customers and power stations with Norwegian natural gas.



Frank Reed: liberty

Second US hostage released in Lebanon

By Our Foreign Staff

MR Frank Reed, an American hostage, was freed by a pro-Iranian Lebanese group yesterday – the second such release in eight days.

Mr Reed, 57, a headmaster, was handed over to Syrian security men in Beirut and driven to Damascus – the same path taken by Mr Robert Polhill, the American released last week.

Mr Reed's release fuelled hopes for 15 other westerners believed to remain in the hands of pro-Iranian Moslem militants in Lebanon. His release could signal an end to the hostage crisis that began in 1984 with the abduction of Mr William Buckley, the US Central Intelligence Agency's Beirut station chief who was later killed.

US citizens are likely to be released before the three Britons – Mr Terry Waite, Mr John McCarthy and Mr Jack Mann – because the British Government has no formal diplomatic relations with Syria. Ties were severed by Britain in 1986, when Syrian diplomats were accused of involvement in an attempt to bomb an Israeli passenger jet.

Western hostages still held include six Americans, an Irishman, two West Germans, two Swiss nationals and an Italian.

There seems little doubt that Mr Reed has been imprisoned for the past 3½ years by "Islamic Jihad," the most extreme of the pro-Iranian groups. Most of the kidnappers are thought to be linked to the pro-Iranian Hizbollah organisation.

The release followed a weekend of intense diplomatic activity and increasing signs that Tehran was throwing its weight behind the early release of hostages.

Background, Page 8

US reverses key policy on trade benefits

By Nancy Dunne in Washington

MRS Carla Hills, the US Trade Representative, yesterday announced the reversal of a key US trade policy, initiated by the Reagan Administration, which phased out duty-free trade benefits to the more advanced developing countries.

Instead, the US Generalised System of Preferences (GSP), a scheme designed to help developing nations boost their trade, is to be employed as an incentive for countries adopting free market trade policies.

In releasing the annual list of countries and products added to the GSP, Mrs Hills said that Mexico was the major beneficiary of this year's decision. Products categories worth almost $2bn in sales were added, restored or expanded on the list.

The Trade Representative's Office said the new designations were the result of "Mexico's extensive participation in this year's review" and "the impressive changes in Mexico's trade practices over the past two years."

The list restored to GSP status 209 Mexican products with a trade value of $1.35bn which had previously been removed.

The US GSP system is the largest of the 27 tariff preference schemes offered by richer nations to assist developing nations. The controversial policy of "graduating" countries deemed sufficiently competitive without the programme's benefits took Hong Kong, Singapore, Taiwan and South Korea off the list last year.

Mrs Hills said that the record expansion of GSP benefits, given in this annual review, was made possible by the removal from the programme of the four NICs, "based on the success of their economies."

Brazil is also a potential beneficiary of the change. Mrs Hills has delayed until June 1 a decision on $517m worth of Brazilian imports "to fully take into the decision the trade and economic reforms of the new Administration of President Fernando Collor de Mello."

As part of President Bush's Andean trade package, about $45m in imports from Bolivia, Colombia, Ecuador and Peru will be given duty-free status on an accelerated schedule. Five products from the four nations are being added to the list, and 16 others will have duty-free treatment restored or extended.

Results will be announced in mid-July of a special review to consider additional requests from the Andean countries.

Liberia was removed from the list after a review of allegations that it does not meet workers' rights requirements. Reviews of Syria, Benin, the Domiican Republic, Haiti and Nepal were extended by a year.

The US also removes products from the list when they are deemed to have become competitive without duty-free status. On this basis, products valued at $1.22bn are being graduated from the programme.

International telecoms chief backs reform plans

By Hugo Dixon in Geneva

THE HEAD of the International Telegraph and Telephone Consultative Committee (CCITT), the Geneva-based telecommunications organisation, yesterday added his voice to those calling for reform of restrictive practices which keep the prices of international calls above costs.

Mr Theo Irmer, the organisations's director, said in an interview with the Financial Times that international phone prices were distorted because they had failed to fall as fast as costs had been cut by technological advances.

He said change was needed to the CCITT's own recommendations which he admitted sometimes penalised telephone companies which cut their prices and which had held back the development of cross-border information services. However, he stopped short of proposing any concrete reforms.

Mr Irmer said the CCITT was not a cartel but it was some of the telephone companies which were pushing some of their policies through the CCITT which constituted the cartel. He described the current situation as a fight between the new and the old: "You should not blame the CCITT, but those who are

Continued on Page 20

CONTENTS

Hard-pressed Swedish Premier looks to Liberals for help

Sweden's Liberal leader Bengt Westerberg (left) is the man Prime Minister Ingvar Carlsson would prefer as partner at a time when his Social Democrats are in trouble. The ruling party's support has slumped.

Page 2

MARKETS

STERLING
New York lunchtime:
$1.6375
London:
$1.6395 (1.6365)
DM2.7525 (2.7425)
FFr9.2350 (9.2000)
SFr2.3800 (2.3825)
Y260.25 (259.75)
£ index (88.7)

GOLD
New York: Comex Jun
$371.3 (373.0)
London:
$367.25 (370.50)

N SEA OIL (Argus)
Brent 15-day
$17.175 (-0.5)

Chief price changes yesterday: Page 21

DOLLAR
New York lunchtime:
DM1.68225
FFr5.6425
SFr1.4540
Y158.00
London:
DM1.6785 (1.6755)
FFr5.6325 (5.6225)
SFr1.4510 (1.4560)
Y158.80 (158.80)
$ index (68.4)
Tokyo market closed

US Lunchtime Rates
Fed Funds $8\frac{3}{16}$%
3-mo Treasury Bills:
yield: 8.05%
Long Bond:
$94\frac{15}{32}$
yield: 9.03%

STOCK INDICES
FT-SE 100:
2,103.4 (−3.2)
FT Ordinary:
1,653.6 (−5.1)
FT-A All-Share:
1,043.16 (−0.4%)
New York lunchtime:
DJ Ind. Av.
2,638.74 (−6.31)
S&P Comp
328.29 (−0.82)
Tokyo: Nikkei
Tokyo market closed

LONDON MONEY
3-month interbank:
closing $15\frac{11}{32}$ ($15\frac{5}{32}$)
Liffe long gilt future:
June $77\frac{11}{32}$ ($77\frac{5}{32}$)

Greek bank chief demands tougher economic action

By Kerin Hope in Athens

GREECE HAD to apply strict measures to reduce its record public sector deficit if it were to narrow the economic gap with its European Community partners, Mr Dimitris Halikias, Governor of the Bank of Greece, warned in his annual report yesterday.

He praised the new conservative Government's austerity plans "as a decisive first move" but made clear that more radical steps would be needed.

"The deficits feed inflation, weaken the currency, provoke the flight of capital, worsen the balance of payments and increase interest rates: they are the main reason for the Greek economy's serious divergence from the rest of the Community," he said.

His report pointed out that Greece's public debt had reached 105 per cent of gross domestic product, estimated at around $55bn for 1989, while a third of tax revenues had to be earmarked for interest payments.

The budget deficit rose by 48 per cent last year to Dr1.77 trillion (£6.5bn). Public corporations and state pension funds together suffered losses of Dr1.21 trillion, a 27 per cent increase over 1989, according to the report.

Mr Halikias called for tighter monetary policy, proposing that state-subsidised loans for small businesses should be abolished unless the Government were prepared to finance them out of the budget.

Banks should no longer be required to hold a substantial percentage of reserves in Treasury bills which are used to cover government borrowing.

Annual inflation, currently 17.8 per cent and forecast to reach 20 per cent by the end of 1990, could not be reduced this year but should start to decline in 1991, he said. As a result, inflation rates would remain high.

Mr Halikias repeated that under prevailing economic conditions Greece could not meet the EC timetable on free movement of capital, or set a date for joining the EMS. "Even under more favourable circumstances some flight of capital must be expected; to join the EMS, the deficits must be cut to a level that ensures monetary stability and a lasting reduction of inflation," he said.

Marx and Engels losing currency in East Germany

By Andrew Fisher in Frankfurt

WHEN the new money comes in, the old faces will disappear. In a change that all too aptly symbolises the move from a Communist regime to a market economy, Karl Marx and Friedrich Engels will no longer be depicted on East Germany's banknotes after July 2.

That is the day the D-Mark is scheduled to come to East Germany. On that Monday – assuming no political or organisational hitches – East German banks will replace East German Marks with D-Marks. The face on the 100 East Mark note, the country's highest denominated unit, is that of Karl Marx himself. Gracing the 50 Mark note is Engels, his ideological confrère.

From July 2 onward, the heavily bearded visage of the author of "Das Kapital" will be succeeded by the striking, but unfamiliar, image of Sebastian Münster, an astronomer from the Middle Ages who gazes contemplatively from the blue DM100 note. West Germany's brown DM50 note has an equally unrecognisable face: that of a man from a 16th century painting hanging in a Frankfurt museum.

The value of the notes is more than a matter of historical curiosity, however. Since the 100 Mark note is the most valuable in East Germany, the new currency to be transported over the border will have a larger proportion of smaller denominated notes than is the case in the prosperous Federal Republic. The DM500 and DM1,000 notes – not commonly seen by most people in West Germany either – will be of little daily use in a country where the average national wage is half that of West Germany and good quality goods are still in very short supply.

So the Bundesbank, West Germany's central bank in Frankfurt, will have to send over more DM10, DM20, DM50, and DM100 notes than would otherwise be necessary and may even have to print some more. In West Germany, the DM100 unit accounts for 45 per cent of circulation.

For security reasons, the Bundesbank is not saying how the money will be transported. The notes will come from the central bank's existing stocks; these total DM150bn. East Germany's cash circulation is estimated at some DM13.5bn. To simplify administration and prevent speculation, conversion will only be through bank and savings accounts.

The Bundesbank's notes are stored in its 199 branches; it plans to open 15 in East Germany after currency union. East Germans may be able to hang on to their coins for a while longer, since the time will be too short to adapt all telephone boxes and automatic machines.

They will have little time to familiarise themselves with the new notes. Three months after they receive their converted money, some of it will be out of date again. In October, the Bundesbank starts to bring out its new notes, including one of DM200. This time, however, the DM100 unit will have a more appropriate face for a soon-to-be united Germany: that of Clara Schumann, the pianist born 171 years ago in Leipzig, a city deep in East Germany.

Elderly E Germans hark back to an earlier Marks conversion

By Leslie Colitt in East Berlin

LIKE MANY elderly East Germans, Siegfried and Christel Rakosch will be reliving the past when their East German Marks are converted into D-Marks on July 2. They are hoping this currency reform will turn out better than the last.

In June 1948, a few days after the introduction of the D-Mark in western Germany, the newly-married East Berlin couple were allowed to convert up to Reichsmarks (RM) 70 into Deutsche Mark of the East German Notenbank at the rate of one-to-one. It was not until the early 1950s that these East D-Marks became known simply as Marks.

East German savings accounts of up to RM100 were converted at one-to-one and savings of up to RM1,000 at five-to-one. Mr Rakosch's mother had RM3,000 in her account dating from before the end of the war. For this she was penalised, receiving only 300 East D-Marks.

His wife's mother had more than RM6,000 in the bank, left by her late husband who died at Stalingrad. The authorities accused her of being a war profiteer and confiscated the money.

Despite these searing post-war experiences, Mr Rakosch's mother started saving again and left her son more than Marks 18,000 when she died. "She taught me to save, too," he said.

In July, each family member may convert up to Marks 4,000 in savings into D-Marks at one-to-one – East Germany is pressing for a larger sum – and the rest at two-to-one.

Some of the Rakosch's friends are buying antique china to resell for D-Marks later and are scouring the country to buy real estate. But few East German property owners will sell, anticipating an explosion in prices in a few months when the D-Mark is introduced.

One acquaintance of the family had just bought a new Trabant car as an investment for Marks 13,000. "It was a bad mistake," said Mr Rakosch. In the Socialist past a new car could be sold after five years for nearly as much as it cost originally. But the resale value of a Trabant has plummeted to virtually nothing as East German eyes fix on western cars.

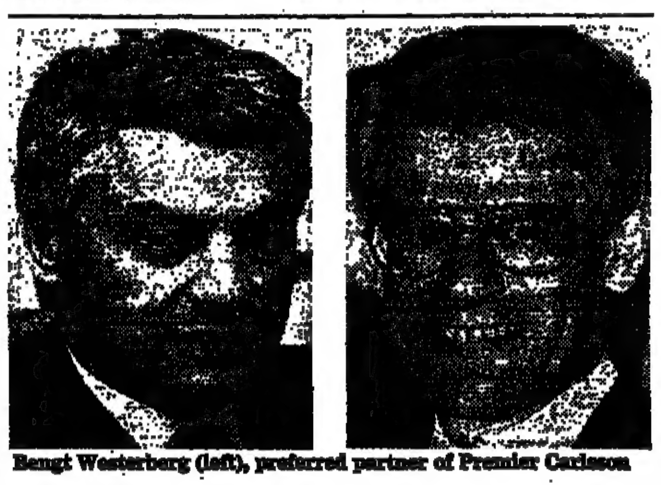
A flood of often conflicting remarks by West and East German officials on the forthcoming conversion rates has led panic-stricken East Germans to open as many new savings accounts as possible, only to close them when they hear about a cut-off date after which the conversion rate will be worse. Bewildered old people queuing in savings banks break into tears of despair.

The Rakoschs, however, are hoping for the best. "We have confidence in both governments that things will be better than in 1948," said Mr Rakosch, an office administrator. "We are an industrious people and the GDR is not a poor country."

Along with more than 6m East Germans over 60 years of age, they are nevertheless worried about the future. The family own a small flat which they bought in a co-operative building for only Marks 5,000. They pay Marks 43 a month for maintenance and repairs but are afraid this will soon rise sharply.

Mr Rakosch earns Marks 1,050 a month and his wife 600. They are certain to join an army of administrative personnel who will be out of jobs in coming months. "Starting at the age of 40 you are an old man in a market economy," says Mr Rakosch. "It always hits the little man the worst."

openly He adds: "We are all happy about the opening of the Wall, but the currency union will mean a social decline for many East Germans."



Bengt Westerberg (left), preferred partner of Premier Carlsson

All in a twist round Sweden's Maypole

By Robert Taylor in Stockholm

AS THE leaders of Sweden's ruling Social Democrats address May Day rallies all over the country today there are growing signs that the most widely pointed-to democratic Socialist movement in the world has fallen on hard times.

The latest poll published on Sunday revealed that the party had only 32.6 per cent support among the voters, the lowest figure since surveys began. At the same time an increasing number of the party's rank and file appears to be deserting the fold.

The powerful blue-collar trade union confederation, the LO – which has enjoyed enormous influence over the party – is in unprecedented open revolt against the direction of the Government's economic policy, which it condemns for being hostile to working class interests.

Left-wing Social Democrats have expressed criticism of the recent party executive decision to support a rail-road bridge over the Oresund straits between Sweden and Denmark, arguing that it will pollute the area. Others are worried the Government intends this autumn to drop a commitment to make Sweden non-nuclear in energy needs by 2010. On top of this, traditionalists are furious that the leadership is ready to accept the introduction of commercial television after years of procrastination.

Most of all, they dislike what they see as the Government's commitment to market values and the weakening of the old faith in social justice and equality. The tax reforms with big cuts in marginal tax rates has upset party members who believe this will benefit the rich, not the average industrial worker.

In the past Social Democrats have shown an impressive facade of unity to a hostile outside world. At the party's congress this autumn, this may no longer be possible.

Much will depend on how Prime Minister Mr Ingvar Carlsson deals with it. He has shown much greater readiness in the past few months to assert his authority and push the Government in a modernising direction. It has not won him any credit: the poll on Sunday revealed only 15 per cent of the voters had confidence in him; four years ago half did.

Aware of his party's growing weaknesses Mr Carlsson has indicated that he wants to build a consensus across the political blocks. A recent tactical alliance with the Liberals over the spring budget crisis package as well as on tax reform may be the start of a re-alignment which could transform the country through a mixture of social and liberal market policies. This will depend on the outcome of the next general election, due in September 1991.

Mr Carlsson's problem is that few in his own party recognise that they are in a minority in Parliament. "Our people behave as if we were an 50-per-cent, not a 40-per-cent party," said one of Mr Carlsson's senior advisers recently. In fact, party fragmentation in parliament is likely to increase during the 1990s, making it difficult for any one party to pursue single-minded policies.

What worries many Social Democrat members even more is that when it comes to a choice of partner to work with, the Government is looking not to its left and the Communists or the "ideologically acceptable" rural Centre Party, but to middle-of-the-road liberalism. Mr Carlsson appears to prefer a working relationship with the Liberal leader, Mr Bengt Westerberg, than with anybody else.

Meanwhile, an increasing number of voters appear no longer to identify themselves with a particular political party. The "Don't Knows" are at a record high in opinion surveys, but so far there has not been much in the way of voters crossing the old Socialist/non-Socialist divide.

However, to the alarm of Mr Carlsson, the Social Democrats have lost their appeal to the young and the middle-aged and to people living in the cities. Instead they are being thrown back on their remaining strongholds in the small industrial towns in northern and central Sweden at a time when their policies have little resonance with the blue-collar faithful.

This is the Social Democratic dilemma. The more the Government pursues market-oriented policies, the more it alienates its own party stalwarts but without so far attracting much support from among the white-collar middle class.

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Polish leaders tackle UK over unification talks

By Christopher Bobinski in Warsaw

POLAND yesterday failed to make headway in its bid for an expanded presence at multilateral talks on German unification when Polish leaders met Mr Douglas Hurd, the British Foreign Secretary, at the start of his three-day visit here.

Warsaw has already won agreement to attend the "two-plus-four" talks whenever its western frontier with Germany is discussed. But it is arguing that it should also attend when European security issues are discussed, arguing that the presence of Soviet troops in Poland is intrinsically linked with that of Soviet troops in East Germany.

Mr Hurd was handed the Polish version of a treaty guaranteeing Poland's frontier which Warsaw wants both Germanys to initial before unification and to sign thereafter.

Among his meetings, Mr Hurd saw Mr Tadeusz Mazowiecki, the Polish Prime Minister, and Mr Bronislaw Geremek, the Solidarity leader in parliament. Mr Geremek recently urged the Polish presence at the talks on Mr James Baker, the US Secretary of State, who is due in Warsaw next Sunday to report to the Poles on the first ministerial meeting of the two-plus-four talks in Bonn on Saturday.

The Poles confirmed to Mr Hurd that they favoured a united Germany being in Nato. Mr Hurd told the parliamentary foreign committees that he Moscow would "join the emerging consensus on this point before long."

● The leaders of both Germanys yesterday expressed confidence that Moscow would compromise in talks on the future military status of a united Germany rather than insist on neutrality, Reuter reports from Bonn.

Mr Lothar de Maizière, the East German Prime Minister, told a radio interviewer that President Mikhail Gorbachev agreed a united Germany should not be a special case in whatever new security structure was worked out for Europe. Mr de Maizière met Mr Gorbachev at the weekend.

Chancellor Helmut Kohl, meanwhile, said he was sure Bonn's willingness to help Moscow with trade and cultural exchanges as well as security talks meant a reasonable agreement was possible.

Experts from the Germanys and the four wartime allies (Soviet Union, US, Britain and France) met in East Berlin yesterday to discuss the military status issue before Saturday's ministerial talks.

German parliaments step towards union

THE East and West German parliaments launched formal relations on Monday after a 40-year vacuum and their two speakers marked the occasion by strolling through the symbolic Brandenburg Gate at the Berlin Wall, Reuter reports.

The West German Bundestag, or parliament, spurned official contacts for decades when East Germany's Volkskammer was a mere rubber stamp for edicts of the Stalinist elite.

But barriers fell when communist bosses relinquished power last November. The two states are now striding towards union. Sabine Bergmann-Pohl, speaker of the Volkskammer freely elected for the first time in March, greeted Bundestag speaker Rita Suessmuth at East Berlin's parliament building, the Palace of the Republic, and spoke of "a historically significant day".

The two women, both Christian Democrats, and their respective parliament presidiums, then took a bus to the Pariser Platz square in front of the 200-year-old Brandenburg Gate, long a symbol of German unity.

They were waved through to West Berlin, although Suessmuth said she had brought her passport just in case.

The delegations then entered the adjacent Reichstag, the pre-World War Two German parliament building, for talks on closer parliamentary co-operation.

Sabine Bergmann-Pohl, left, speaker of the Volkskammer and her Bundestag counterpart Rita Suessmuth after walking through the Brandenburg Gate.

Major tries to slow EMU's take-off

By John Wyles in Rome

BRITAIN'S Chancellor of the Exchequer, Mr John Major, flew to Rome yesterday to take his campaign against economic and monetary union to the European Community's most dedicated believer with the slogan: "Better to get things right than to get them speedily."

His Italian hosts – Mr Guido Carli, the Treasury Minister, and Mr Carlo Azeglio Ciampi, governor of the Bank of Italy – are believed to have reacted with studied politeness. "The British are very good at making us focus on detail," said one official in Rome last night.

The Chancellor is making a series of visits to the European mainland. Italy was the first stop because Rome will be taking over the EC presidency from July 1.

While stressing that London still thought it premature for the EC to be holding the inter-governmental conference on monetary union in December, Mr Major revealed that he was leaving a list of questions in Rome which would have to be settled by the conference.

These ranged from future institutional arrangements "which fall short of a Euro Fed" – the possible name of a European central bank – to the future role of the European currency unit.

At his news conference, Mr Major sought to give the impression that answers to such questions might indicate something other than monetary union as the best objective. But he sounded less than certain when asked whether in two years' time Britain might be unable to move forward with EC partners seemingly bent on achieving both monetary and political union. "I don't necessarily assume that the outcome will be divergence at the end of that period of time," he said.

On the exchange rate mechanism, Mr Major said he hoped no-one doubted that sterling would join "at the appropriate time". The British inflation rate was now the main obstacle, and though this would climb from the present 8.1 per cent, it should start to fall in the autumn and continue to do so next year.

Civil servants threaten strike in Norway

NORWAY'S three main public sector employees' organisations, which represent about 500,000 civil servants, have threatened to strike from tomorrow over government demands that an entra half-hour per day be added to the 36-hour working week, writes Karen Fossli in Oslo. A strike could halt public transport, interfere with telecommunications and electricity supply to Norway's 20 biggest cities and affect health services.

Peaceful pipes

Two Iraqi-bound consignments of pipes impounded by Turkish authorities on suspicion of being part of Iraq's supergun project have turned out to be water pipes, the Turkish Foreign Ministry said yesterday, writes Jim Bodgener in Ankara. A third consignment is still being investigated.

Dresdner venture

Dresdner Bank, West Germany's second largest banking group, said it was holding joint venture talks with Deutsche Kreditbank, East Germany's first universal bank, AP reports from Frankfurt. Mr Edgar Most, Kreditbank chief executive, said in an interview the talks involved setting up a network of around 50 branches in East Germany.

PSD decides one contest is enough

Patrick Blum on hard times for Portugal's ruling Social Democrats

THE recent decision by Portugal's ruling Social Democratic Party (PSD) not to present its own candidate in the presidential election next year leaves Mr Mario Soares, the incumbent and former Socialist Party leader, without an opponent of any note. It also highlights the ruling party's fears about its electoral prospects.

Under strong prompting from Mr Anibal Cavaco Silva, the Prime Minister and PSD leader, the centre-right Social Democrats will give qualified support to Mr Soares, avoiding the risk of a damaging defeat in the run-up to the parliamentary elections due a few months after the presidential contest.

Mr Soares has yet to announce his intention to seek a second term, but is widely expected to stand. He is highly popular and he consistently tops opinion polls by a wide margin.

Mr Cavaco Silva's decision caused misgivings within the PSD, and despite his reassurances, many PSD members and supporters doubt they will win another absolute majority next year.

The party's popularity has plummeted since the 1987 general election when it won 50.2 per cent of the vote and 148 of the parliament's 250 seats. The socialists were left trailing with 22.2 per cent and 60 seats.

That victory broke the post-1974 revolution pattern of unstable minority and coalition governments, and gave Mr Cavaco Silva a unique opportunity to implement a programme of pro-market reforms to modernise the country. Many of the promised reforms have been carried out, but critics say the process has been too slow, bureaucratic and marked by an absence of dialogue. Reform has come from the top, and the Government's apparent insensitivity to social pressures has fuelled popular dissatisfaction and labour restiveness.

The first indication that all was not well came in the European parliamentary elections last June when the PSD vote fell by almost 5 per cent. Nationwide municipal elections in December confirmed the trend. The Socialist Party, under Mr Jorge Sampaio, its new leader, won the most votes and gained control of several of the country's big cities, including Lisbon and Oporto.

The party will give qualified support to Mario Soares, avoiding the risk of a damaging defeat in the run-up to the parliamentary elections due a few months after the presidential contest

To retrieve lost ground, Mr Cavaco Silva reshuffled the Government at the end of December, but the simultaneous resignation of the deputy prime minister Eurico De Melo, one of the party's most respected figures, caused further disquiet in PSD ranks. Personal as well as political differences have often given the impression that the ruling party is at war with itself. Tensions between Mr Cavaco Silva and sections of the party regularly explode into the open.

A recent row over the Government's decision to give the powerful Catholic Church a "privileged" stake in one of two private channels to be established soon saw the party in open revolt against its leader. The decision, which reversed an earlier commitment to give the church access to one of the two state-owned channels, succeeded in antagonising practically everyone including influential PSD supporters within the church.

These differences were papered over during the party's national congress earlier this month, but the congress had hardly closed when the Government was rocked by another resignation, this time of the hard-working Minister for Public Works, Transport and Communications Mr Oliveira Martins.

None of this has helped the Government's standing and there are doubts now as to whether the ruling party will have a majority of any kind at the next general election. The most recent polls show, for the first time in years, the Socialists slightly ahead of the PSD.

The Government, which is struggling to bring down inflation – now at close to 13 per cent and more than double the European Community average – has imposed tight monetary measures to restrain demand and credit. The measures are unpopular and there is growing wage pressure from all categories of workers, from air traffic controllers to local authority workers. A spate of strikes recently caused chaos on the railways, and more strikes are likely.

In the circumstances Mr Cavaco Silva's decision to focus his party's electoral efforts only on the parliamentary elections, may give him a little extra time, but it is a gamble the outcome of which is unpredictable, unlike the almost certain victory of Mr Soares – with or without an opponent.

Accident in hold made ferry sink

A TRUCK loaded with marble slabs overturned in the hold just before a Livorno ferry sank off the coast of Sicily on Sunday with the loss of at least six lives, Reuter reports.

Seven people from the 8,500-ton Espresso-Trapani ferry, a regular service from Livorno were still missing.

Thirty-nine of the 52 Italian passengers and crew on board the regular service from Livorno to Trapani were rescued after the ferry sank less than 15 minutes after keeling over near Trapani.

Farmers halt protest

RURAL Solidarity leaders in Poland were largely successful in a last-minute appeal to farmers yesterday not to block main roads in a protest about the Government's failure to help unload a 400,000-tonne potato surplus, writes Christopher Bobinski in Warsaw.

Only in Czerwinsk, north of Warsaw, and Jelenia Gora in the south west were protests reported to have gone ahead.

The potato surplus arose when sales to the Soviet Union were halted by the Government earlier this year and distilleries cut back on purchases.

Motorola to build chip plant in Japan

By Barbara Durr in Chicago

MOTOROLA, the leading US maker of semiconductors, which is based near Chicago, is to build a $50m (£29.4m) chip assembly plant in Japan.

The plant, scheduled to be completed in 1991, is intended to meet increasing demand from Japanese customers, the company said.

The plant will be owned and operated by Nippon Motorola, the company's Tokyo subsidiary.

It will be located in Sendai City adjacent to Tohoku Semiconductor, Nippon Motorola's joint venture with Toshiba, which was established in 1986.

The new plant will assemble semi-finished 1 megabite dynamic random access memory chips (D-rams), next generation 4 megabite D-rams, along with microprocessor dies.

The Sendai assembly operation will be the second semiconductor production site for Motorola in Japan.

In 1982, it bought the Japanese chip company Toko, in Fukushima Prefecture.

But the two facilities apparently cannot meet increasing demand, arising largely from the Japanese consumer electronic industry.

So far, Motorola has shipped integrated circuits to Japan from low-cost assembly operations outside the country.

It now appears to be bowing to some Japanese pressure to assemble items locally.

However, the company says that imports will continue and that the new plant is expected to pick up new customers from within Japan.

Semiconductor sales to Japan have for long been a highly-charged trade topic between Washington and Tokyo.

In the 1980s, under pressure from Washington, the Japanese agreed to buy more US semiconductors, and since 1986, chip sales by US companies have doubled.

Motorola and other US companies now control 12 per cent of the market in Japan, which is the world's largest semiconductor consumer.

Mexican wine market falls to the sweet Germans

Once-protected local producers, left exposed by Gatt, are no match for foreigners, writes Candace Siegle

AT A bustling Aurrera supermarket in north-central Mexico City, Maria de Lourdes Velazquez spends her weekends pouring tiny plastic cups of Gallo wine to tempt shoppers into buying.

Popular brands of rum and tequila crowd the liquor shelves behind her, but wine, especially imported wine, is claiming an increasing amount of space at outlets such as the huge Aurrera chain. Until 1982, California-based Gallo and other imports were not allowed to sell in Mexico, but since Mexico joined the General Agreement on Tariffs and Trade in 1986, a growing number of imports have been showing up on Mexican grocery shelves. It is a trend that experts feel may crush the fragile Mexican wine industry, which suffered a 50 per cent drop in sales last year.

Worldwide, wine consumption slumped throughout the 1980s. In Italy, the number one wine drinking nation, wine consumption per head fell 15.51 per cent between 1977 and 1987, a California Wine Institute report shows. In France it was down 35 per cent. Although Mexican wine consumption is low, it was one of the few countries to show an increase in the number of wine drinkers – by5 per cent.

Wine producers' search for new markets have coincided with the liberalising of the Mexican economy, bringing a flood of imports into the Mexican market, the Germans leading the way.

"This is an industry in crisis," admits Mr Rafael Almada of the Mexican Wine Producers Institute. Although he insists that Mexican wines are competitive, he sees a long road ahead for his country's wine industry. Mr Almada says he is not concerned about imports as such, just cheap, poor quality imports that could ruin the development of people's taste for any wine.

Over Christmas, supermarkets were filled with bottles of German wine for around 5,000 pesos (just more than £1) Grinning wryly, Mr Almada adds that the Germans' low prices may have done more harm to themselves than good.

"When the wines first came on the market, it was quite elegant to bring a bottle of German wine to a party. But once people realised how low-priced these wines were, German wine became the mark of a cheapskate."

But cheap or not, German wines have further threatened the precarious position of the Mexican industry. Mexico has 55,000ha of land in five states under cultivation for wine grapes, producing about 600,000 tons of grapes a year. Mr Almada says that some of this area has already been converted to other use by growers desperate to find a cash crop, such as wheat, sorghum, sweet brandy grapes or export flowers.

WINE CONSUMPTION (gallons per head)				
Country	1977	1987	% change	Rank
Italy	24.7	20.9	-15.5	1
France	26.9	19.8	-34.9	2
Portugal	22.2	16.9	-23.4	3
Argentina	23.4	15.4	-34.4	5
W Germany	6.2	6.8	10.3	12
Australia	3.8	5.6	47.9	16
UK	1.4	2.9	103.9	25
E Germany	2.3	2.7	16.3	26
US	1.8	2.4	31.4	28
USSR	3.5	1.5	-57.1	34
Algeria	0.13	0.32	140.0	39
Japan	0.12	0.21	70.2	40
Mexico	0.05	0.05	5.3	43

California Wine Institute

The Mexican industry was fully protected against imports from its inception in the 1940s until 1982, when imports were allowed in with a 30 per cent tax on them. Gatt brought the tax down to 20 per cent. By 1988, German, Argentine and Chilean imports had already grabbed half the wine sales in Mexico.

But why are Mexicans so eager to buy an import over a national brand of wine? Price is one reason. Mexican wines are generally more expensive than imports, something Mr Almada blames on the protectionist period. Mexican producers spend far more to bottle, cork and label a wine than does a German producer.

And, always, there is the question of quality. Many wine importers feel that because the Mexican industry was protected for so long it felt it could get away with anything, including selling a poor-quality wine at a high price to consumers who had no options.

Michael Dixon of California's Simi Winery says imports may at last force Mexican wines to be competitive. "They will have to produce better quality wine at about the same price in order to survive," he says. "And they will have to be more selective. Mexico simply has too hot a climate for many white wine grapes."

Mr Almada feels that the preference for foreign wines may be as much cultural as aesthetic, a preference for things foreign.

Some 30 California wineries have launched a campaign for their products in Mexico. They will seek a different market segment from that of the Germans and Mexicans, looking at sales in better restaurants rather than supermarket and retail outlets.

Mexicans are not traditionally wine drinkers, preferring beer, tequila or, for occasions, a "cuba" – brandy or rum with Coca-Cola.

According to a report by the California Wine Institute, Mexican wine consumption per head ranks 43rd in the world, behind Peru and Turkey. While Mexicans drank about a glass of wine per head in 1987, Italians, in the number one spot, drank nearly 21 gallons each.

With 86m people, Mexico may seem to offer a large market, but in reality the number of potential wine drinkers is limited. Most Mexicans prefer traditional foods – tacos, stuffed chiles and stews – most of which are so fiery that few wines can compete.

The common complaint that Maria de Lourdes Velazquez hears from Aurrera shoppers about her Gallo wines was that they were not sweet enough. Aiming at a more sophisticated audience, the Californians plan to serve wine by the glass in restaurants, a novel concept in a country where wine is usually sold only by the bottle.

American Wine Trade, one of the first trading companies to bring US wines to Mexico, has found this a successful method of introducing its products. "We go in first and train the wait-staff about each wine," says director Eric Nelson. "They then pass what they know on to the consumer. We've begun the process of education."

The Germans have not had to educate to seize their part of the Mexican market. The Mexicans and Californians accuse the Germans of dumping inferior products on the unsophisticated Mexican market, something Mr Juergen Beier denies. His company, Latingourmet, is one of an estimated 200 companies bringing German wine to Mexico.

Mr Beier says low prices are the proof of German exporting expertise. No, most of the wine is not good quality, but the choice whether to buy German, Mexican or Californian is up to the consumer. Mr Beier also denies that German imports have hurt the Mexican industry, adding that by forcing the Mexicans to become more competitive, the imports might actually have helped.

Mr Almada feels things for Mexican producers can only get better. The California wines, he says are too expensive to be a serious detriment to the Mexican industry. And the Germans are falling out of favour because consumers have come to realise that you get what you pay for.

Frankfurt figures on E German ventures

FOREIGN companies set up 599 joint ventures, capitalised at a total 150m East German Marks, in East Germany during the first quarter of this year, West Germany's Commerzbank said in an economic review, Reuter reports from Frankfurt.

Of the capitalisation 91m East Marks was foreign owned, it said. In 575 ventures, participating companies came from West Germany. Others came from Switzerland, the US, Japan, and East Europe.

Three fifths of the ventures are service-oriented, mainly operating hotels and catering firms. A considerable number are industrial processing and construction firms.

Pipeline planned across border

WINTERSHALL AG said East Germany's Kombinat Gasaalagen in Mittenwalde, would spend DM350m to build a 250-kilometre natural gas pipeline in southern East Germany.

The East German pipeline will run from Philippstal in the West German state of Hesse, where it will connect with BASF's MIDAL pipeline, to Sayda in the East German region of Sachsen, where it will connect with a Soviet-Czech transit pipeline.

The planned pipeline, due to start operations in 1993, will have an initial annual capacity of two billion cubic metres, and could be expanded to around eight billion.

Longshine to open Malaysia plant

TAIWAN'S biggest producer of computer and computer parts, Longshine Electronic Company, will open a plant in Malaysia this year, Reuter reports.

The company chose Malaysia in view of the attractive incentives and comprehensive infrastructure facilities offered, said a spokesman.

It would be the first overseas plant for the company, the fifth largest producer of hard-discs in the world last year, Tseng said. The company plans to locate its plant 400 kilometers North of Kuala Lumpur.

Call for stronger action to protect copyrights

THE International Intellectual Property Alliance (IIPA) has expressed "disappointment" with a decision by the US Trade Representative not to take strong action against any trading partner for failing to protect patents, trademarks and copyrights, Nancy Dunne reports from Washington.

The IIPA said there had been problems and lack of progress in various countries, including Taiwan, Thailand, the Philippines, Turkey and Indonesia.

Announcing the results of the "Special 301" provision of the 1988 trade law last week, Mrs Carla Hills made no countries liable to immediate investigation and possible retaliation. She contended 1990 had seen steady improvement in protecting intellectual property rights worldwide.

Nations improving protection and enforcement of laws were South Korea, Poland, Czechoslovakia, Mexico, Saudi Arabia, Colombia, Chile, Malaysia, Indonesia, Egypt, Spain, Portugal and Yugoslavia. Those remaining on the "priority watch list" – ie, subject to scrutiny – are Brazil, India, China and Thailand.

Mr Eric Smith, IIPA general counsel, said failure to act against nations not responding to US demands for fair treatment, "sends the wrong message".

Mexico, US full common market 'unlikely'

By Peter Montagnon, World Trade Editor

FREE trade negotiations between Mexico and the US might lead to a gradual phase-out of tariffs on North American trade.

But they are unlikely to establish a full common market, and quota restrictions will be subject at best to piecemeal removal.

This is the conclusion of a study on the prospects for a North American economic alliance, which has been carried out by two Washington-based academics.

It follows the announcement in March that President Carlos Salinas de Gortari of Mexico was to press for the start of free trade talks with Washington.

A US-Mexico Free Trade Agreement would not presage a unified North American market, mirroring the integration now under way in the European Community, say Mr Jeffrey Schott of the Institute for International Economics, and Mr Gary Hufbauer of Georgetown University.

The odds-on favourite, says the study, which was prepared for a conference at the University of Indiana, is that a coherent economic alliance will be in place by the end of the century.

However, the alliance will initially be a modest one, concentrating on elimination of tariffs between the US, Canada and Mexico.

Mexico has already undertaken a sweeping reform of its tariff structure since it joined the General Agreement on Tariffs and Trade in 1985 and its average tariff is now only 6.2 per cent.

This part of the free trade negotiation should be relatively easy, and it might even be possible to agree on a common external tariff by the year 2000.

But Mexico's automotive industry would be placed under severe pressure if it were to be fully liberalised, and the removal of import quotas, foreign exchange balancing requirements and local content rules would have to be gradual.

Although the US has recently moved to expand its bilateral import quotas with Mexico in the areas of textiles, apparel and steel, the elimination of such quotas throughout North America is likely to be "the hardest task," particularly where farm products are concerned, the study continues.

Agriculture was not part of the US-Canada trade agreement, the authors note.

There are also likely to be difficulties in the liberalisation of investment.

This will particularly apply in the energy sector, while liberalisation of trade in services will depend heavily on what is negotiated in the Uruguay Round of the Gatt, the study says.

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US business lobby defeats plan for tough corporate crime penalties

By Lionel Barber in Washington

THE US Justice Department has dropped its support for tough mandatory penalties for corporate crime after a fierce lobbying campaign by top US companies.

The business lobby's victory appears to spell the end of a three-year effort by the congressionally-appointed US Sentencing Commission to standardise and strengthen penalties for corporations convicted of crime.

Under its original proposed guidelines, the commission would require federal judges to impose stiff mandatory fines – in some cases hundreds of millions of dollars – on companies which were convicted of pollution, cheating on government contracts and other serious corporate crimes.

The Justice Department began to back away from the guidelines after big corporations lobbied the White House earlier this year.

They complained the guidelines were an unnecessary burden and would damage the competitiveness of US companies.

Mr C. Boyden Gray, President George Bush's chief counsel, met representatives of the Business Roundtable and subsequently passed on their objections to a top assistant to Mr Richard Thornburgh, US Attorney General.

The official retreat is a further setback for Mr Thornburgh, who has endorsed stiff sentences for "white-collar" criminals and who is already under fire for indecisiveness.

It comes one week after the US Government faced criticism for dropping 92 out of 98 charges against Mr Michael Milken, the junk bond trader.

Mr Milken, who is a billionaire, faces $600m penalties, six felony counts and a maximum 28-year sentence.

Congress set up the Sentencing Commission in 1984 to design guidelines to ensure greater certainty and uniformity in federal criminal sentencing.

In 1987, the Commission turned its attention to corporations, partly to complement the tough mandatory sentences for drug dealing and other serious crimes. The ensuing sentence guidelines were, however, far more stringent than businesses had expected.

One reason was that existing fines on corporations were relatively light. Between 1984 and 1987, the average fine in all corporate cases was $48,000, and two-thirds of these were for $10,000 or less, according to Professor Amitai Etzioni, a sociologist at George Washington University in Washington DC.

Yet by Professor Etzioni's calculations, some 62 per cent of the Fortune 500 top industrial corporations were, during the period 1975-84, involved in one of more incidents of corrupt behaviour such as price-fixing, bribery, violation of environmental regulations or fraud.

Under two options put forward last year, the commission proposed an escalating range of financial penalties.

The scale depended on "aggravating factors" such as prior convictions, bribery of public officials and risks to national security.

The most severe penalty, theoretically, was as high as $364m (involving bribery of Pentagon officials, doctoring data, and overcharging).

By March this year, industry pressure reached a climax, with lobbyists arguing that the fines amounted to a "corporate death penalty".

The commission watered down its fines, and began to consider further retreats such as delaying reporting to Congress by the May 1 deadline and recommending "non-binding" guidelines.

The White House intervention sealed the commission's fate, although the official word is that further action has merely been postponed until early next year because there are three vacancies on the seven-member panel.

Slight rise in US personal incomes

US personal income increased in March by 0.8 per cent, seasonally adjusted, the Commerce Department announced yesterday, writes Anthony Harris in Washington. This was the same money increase as in January and February.

However, a rise in inflation and a small increase in saving meant that personal spending fell marginally in real terms. The personal consumption deflator rose by 0.6 per cent, after 0.4 per cent in February and 1.2 per cent in January.

Both the March and February increases were due partly to increases in subsidy payments to farmers.

Excluding these payments, personal income increased 0.5 per cent in March and 0.6 per cent in February. This suggests that the underlying growth in personal incomes has slowed in the first quarter of this year and is barely keeping pace with prices.

Forecasts of continued US growth depend heavily on a continued rise in consumer spending, but consumer confidence is somewhat lower than a year ago.

Court move fails

THE US Supreme Court yesterday refused to revive a lawsuit seeking to strip the Roman Catholic Church of its tax-exempt status because of its anti-abortion activities, AP reports from Washington. The court left intact a ruling that abortion rights advocates lack the legal standing to sue the Government for revocation of the church's tax exemption.

Colombian presidential election shrouded in gloom

Assassination of Pizarro numbs electorate as candidates run subdued campaigns, writes Sarita Kendall

THE brutal killing last week of Mr Carlos Pizarro Leongomez, the former guerrilla leader turned presidential candidate, has removed the last pretence of normality from Colombia's election campaign. He was the third candidate to have been assassinated since August, all murdered when in well protected public places by professional killers hired by the drugs cartels and right-wing extremist groups.

With presidential elections due on May 26, the remaining candidates are being forced to conduct subdued campaigns with little direct contact with the public. Mr Pizarro less than two months ago persuaded his M-19 guerrilla movement to lay down their arms, while he took on the mantle of a politician.

His gesture, coupled with a charismatic personality, did much to enliven the campaign and generate a sense of hope in this nation numbed by what seems a hopeless spiral of violence.

As a result of Mr Pizarro's murder – he was shot while on a domestic flight – Colombians were again plunged into a deep gloom about the future with the presidential contest now to them apparently of little relevance.

The most likely victor on the latest showing will be Mr Cesar Gaviria the candidate of the ruling Liberal Party. Mr Gaviria stepped into the shoes of Mr Luís Carlos Galán, the Liberal favourite after the latter was murdered at a political rally last August by members of the Medellín drug cartel. However, he had to wait until a party congress in March before defeating other party presidential hopefuls, including Mr Hernando Duran Dussan, who had official Liberal backing.

Immediately after gaining the nomination, Mr Gaviria placed a wreath on Mr Galán's grave. It was here, seven months ago, that Mr Galán's eldest son, Juan Manuel, called on him to take up Mr Galán's flag and fight for the presidency. This needed courage – not only because of the risk of becoming another drug traffickers' victim but because Mr Gaviria had never belonged to Mr Galán's New Liberalism movement and could not match his charisma.

The New Liberalism movement was founded to challenge the ossified two-party system and Mr Galán twice ran for the presidency alongside official Liberal candidates, taking a respectable percentage of the vote. He returned to the party fold on condition that the next presidential candidate would be chosen by ballot. Although very much an inside party man, Mr Gaviria agreed to become Mr Galán's campaign manager. It was this support from an orthodox Liberal and former cabinet minister that boosted Mr Galán's chances.

In a curious symmetry, it is Mr Galán's popularity which has now pushed Mr Gaviria along the path to the presidency. Even on campaign posters, Mr Galán's face overshadows Mr Gaviria's triumphant V-for-victory salute. The legacy is an uncomfortable one because though Mr Gaviria himself has often said he cannot replace Mr Galán, people still judge him as if that is his role.

In fact, Mr Gaviria has already sat in the presidential chair a number of times – as Minister of the Interior from 1987 to 1988 he was in charge when President Virgilio Barco travelled abroad. Faced with difficult situations, he added a reputation for toughness to his economic expertise. While Finance Minister in 1986-87, Mr Gaviria guided a complicated tax reform through the congressional labyrinth, with political skill learned during the period when he was president of Congress.

On two key economic questions – the foreign debt and the opening up of the economy – Mr Gaviria would follow current policy if elected. Colombia has managed to avoid re-scheduling and is nearly over the debt-servicing hump, though public investment has suffered. The more open approach to foreign investors favoured by Mr Gaviria should help offset the effect of the ELN guerrilla army's dynamiting and kidnapping activities.

All this – combined with a firm no to any dialogue with cocaine traffickers – will make for good relations with the US, provided coffee and flour export problems are sorted out. Mr Gaviria has also said he will take advantage of the present climate of goodwill to resolve frontier problems with Venezuela.

The Liberals have increased their majority in Congress and the Senate – partly because the incentive to choose their own candidate encouraged Liberals to go to the polls.

In the main presidential election Conservatives will, it is presumed, support Mr Rodrigo Lloreda, the former foreign minister who was designated party candidate.

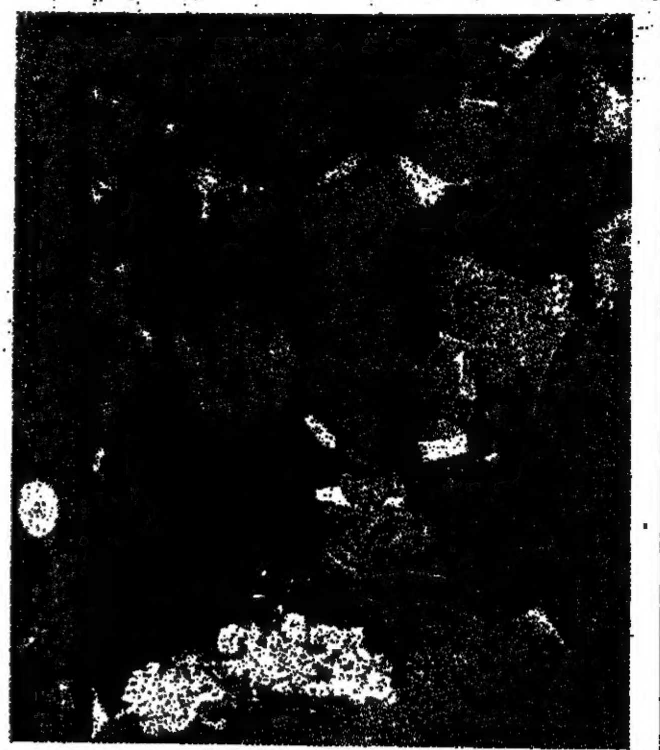
A united Liberal party is virtually unbeatable and Mr Gaviria appears to have all the Liberals behind him.

While enthusiastic Liberals were proclaiming an electoral revolution, Mr Gaviria said more cautiously that his – and Mr Galán's – victory in the party election represented the starting point for change. With an independent popular vote and his knowledge of party machinery, Mr Gaviria is well qualified to democratise Colombia's political institutions.

Constitutional reforms are one of his priorities and the election showed that there is strong support for a Constituent Assembly to carry these through. But Mr Gaviria will have to ensure that the assembly does not fall into the clutches of the corrupt parliamentarians who have already shown they will resist any erosion of their powers.

Colombia's political violence spilled over into neighbouring Venezuela on Sunday when the Colombian consulate in Barinas, a provincial capital in western Venezuela, was fire-bombed, writes Joe Mann in Caracas. It is understood that the attackers were supporters of Colombia's M-19 guerrillas and acted in protest at the recent assassination of Mr Carlos Pizarro, M-19's leader.

Mr Jaime Restrepo, the Colombian consul in Barinas, said that the offices sustained heavy damage but there were no injuries. Venezuela is often used by Colombian narcotics traffickers as a transshipment point for cocaine aimed at US and European markets. Colombian guerrillas have also been active along the long, open border and have kidnapped a number of wealthy Venezuelan cattlemen.



August 1989: Juan Manuel Galan and a family member weep over the coffin of his murdered father, Luis Carlos

Bush hits at Congress on Panama

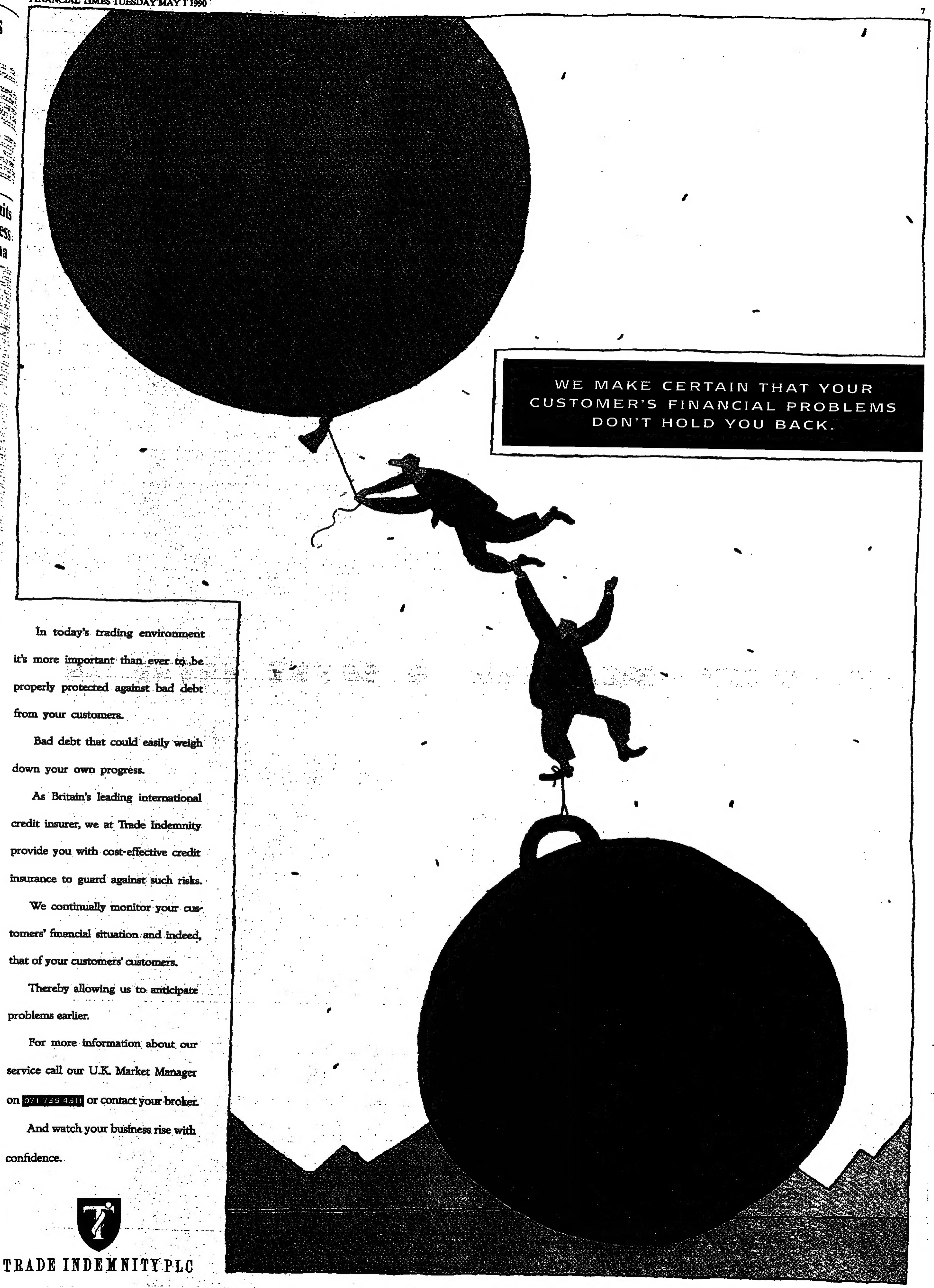
PRESIDENT George Bush, who yesterday met Panamanian President Guillermo Endara at the White House, said he was embarrassed and frustrated over congressional delay on aid to the new US-backed government in Panama City, Reuter reports from Washington.

Mr Bush criticised Congress for complicating the aid proposal, in which he sought $500m (£306.74m) for Panama and $300m for Nicaragua, by adding more than $1bn in unrelated domestic spending and a "contentious" proposal allowing government funding of some abortions.

● Lawyers for ousted Panamanian leader Gen Manuel Antonio Noriega said yesterday that the US Government had frozen all their client's money, and they were filing a motion to withdraw from the case, AP reports from Miami.

"There are millions of dollars in bank accounts that are frozen, even though under the Government's contention they are not subject to the forfeiture law," said Mr Jon May, one of four lawyers for Gen Noriega, who is in custody awaiting drug charges. "We are not asking for any funds that would be tainted."

Mr May said the defence had received only "a few thousand dollars" for expenses since Gen Noriega surrendered to US forces in January and nothing for lawyer fees. He said the defence needed money to travel, take depositions, and do research, but lacked the resources. The trial is set for January 1991.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Japanese aid to India comes with criticism

By David Housego in New Delhi

JAPAN yesterday accompanied a modest increase in aid to India with indirect but pointed criticism of Indian economic policies.

Mr Toshiki Kaifu, Japanese Prime Minister, announced a 3 per cent increase in aid commitments during the current year to Y100bn (£386m). Because of the recent fall in the yen, the figure represents a decline in dollar and in real terms.

At the same time, during a speech to Parliament, Mr Kaifu told Indian deputies that one of the keys to vigorous economic development in south Asia would be "the minimisation of government regulation and privatisation of state-owned corporations as well as improved infrastructure and stimulation of investment from inside and outside the country."

One of the main reasons for Japan's hesitation in making further aid commitments to India is Japanese exasperation with Indian bureaucracy. Japanese officials describe the actual disbursements of Japanese aid in India as very low by Asian standards.

Mr Kaifu said east Asian economies had achieved their fast growth through vigorous private investment and policies aimed at attracting foreign investment. He also took issue with India's position over the Gatt round when stressing the importance of the growing trade in services, intellectual property rights and trade-related investment issues.

India's refusal to make concessions on these points was among the reasons it was named for retaliation by the US over the weekend under the Super 301 clause.

Hope for hostages among shadowy groups of Beirut

By Lara Marlowe

SHOULD the kidnappers of Frank Herbert Reed keep their promise to release the 57-year-old American school director by today he will be the second US citizen freed in Lebanon within nine days.

In Beirut, it is believed that most of the other six remaining Americans, three Britons, two Swiss, two Germans, an Italian and an Irishman still held in Lebanon will be freed by the end of the year, although negotiations remain fraught with difficulties and uncertainties.

American citizens are likely to be released before the three Britons – Mr Terry Waite, Mr John McCarthy and Mr Jack Mann – because the British Government has not resumed diplomatic relations with Syria following the Nezar Hindawi affair; Hindawi, a Jordanian, was convicted in Britain in 1986 of trying to plant a bomb on an Israeli airliner, and Britain said Syrian diplomats were involved.

Frank Reed's kidnapping on September 9 1986 was claimed five days later by the "Arab Revolutionary Cells – Omar Mukhtar Brigade". The statement by his captors on Sunday night was signed by the "Organisation of the Islamic Dawn".

Both of these names have been used only once. Yet there is little doubt that Mr Reed has been imprisoned for the past three and a half years by "Islamic Jihad", the most extreme of the pro-Iranian groups. Mr Jean-Paul Kauffmann, the French journalist who was released by Islamic Jihad in May 1988, shared a cell with Mr Reed and, on another occasion, Mr Thomas Sutherland – whose kidnapping has also been claimed by Islamic Jihad.

Islamic Jihad claims responsibility for the suicide truck bombings of two US embassies in Beirut and the French and American multinational bases there, and was responsible for the first kidnapping of a Westerner – American teacher Mr David Dodge – in Beirut in 1982.

It was with Islamic Jihad that Mr Waite, envoy of the Archbishop of Canterbury, negotiated for the release of hostages. Although Mr Waite's disappearance was never claimed by any group, he is believed to have been abducted by Islamic Jihad after failing to obtain concessions from the Kuwaiti Government regarding 17 Shia Moslems imprisoned in Kuwait.

The willingness of Beirut's hostage-takers to release their captives may indicate that President Hashemi Rafsanjani of Iran, who wants to resolve the hostage question, has succeeded in diverting the loyalty of at least some of the kidnappers from his political opponents and their former mentor, Mr Ali Akbar Mohtashemi.

Shia Moslem militia forces in Beirut, on the other hand, suggest that the differences between Mr Rafsanjani and Mr Mohtashemi have been exaggerated to give Mr Rafsanjani more leverage in his negotiations with Western governments.

Islamic Jihad has always asked for the freedom of the Shia Moslems held in Kuwait. The "Revolutionary Justice Organisation" and the "Islamic Jihad for the Liberation of Palestine" have demanded the release of Palestinians and Shia Moslems held by the Israelis, including Sheikh Abdel Karim Obeid.

No demands have ever been made in exchange for Mr Reed's freedom. This may make it easier for his captors to liberate him without apparent reward.

Iran still split over negotiations

By Kamran Fazel in Tehran

THE improving prospects for the release of hostages in Lebanon have further exposed the divisions in Iran about the merits of negotiating with Western countries.

Mr Ali Akbar Mohtashemi, a leading radical and sponsor of Lebanon's Hizbollah movement, and his allies have bitterly attacked a proposal for direct talks between Iran and the US.

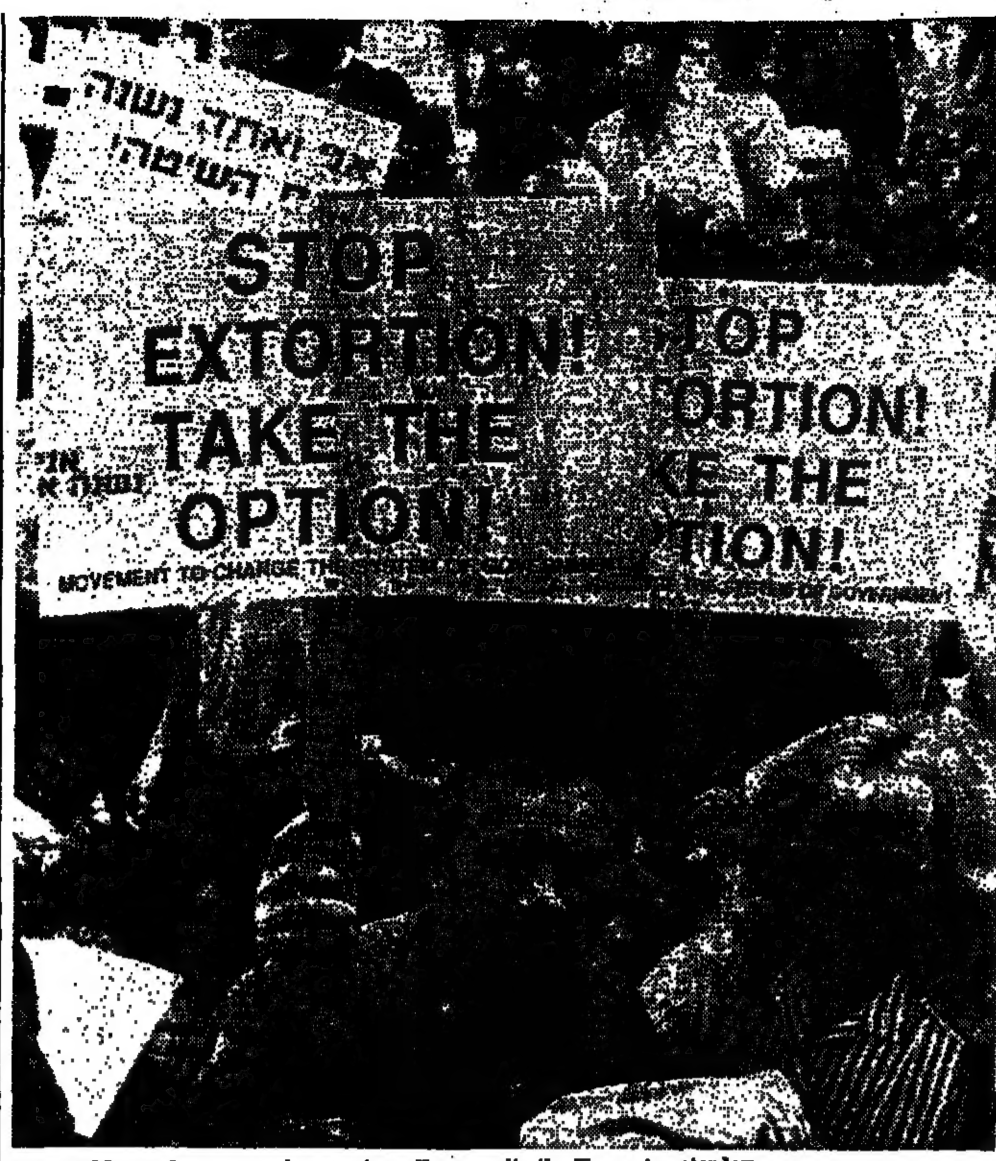
In an article in the newspaper Kayhan, Mr Mohtashemi said such a move would be the death of the Islamic Revolution and would be contrary to the teachings of the late Ayatollah Khomeini.

Mr Mohtashemi's outburst was in response to a suggestion by Vice President Ataollah Mohajerani last week that Tehran should consider direct talks with Washington.

"If we fail to give preference to the interests of the country and the Revolution," Mr Mohajerani wrote in the Etelaat daily, "it will result in missed opportunities when the country's enemies want to deprive it of such opportunities and keep us occupied with slogans for years and years, frozen and at a standstill."

President Hashemi Rafsanjani and his associates are anxious to end the hostage crisis. This would ease relations with the rest of the world and enable Iran to embark on economic reconstruction after the Gulf war against Iraq.

A Lebanese Hizbollah member in Iran said yesterday that Hizbollah was still insisting on concessions in exchange for the remaining Western hostages. They include the release of Shia Moslems jailed by Kuwait, the release of Sheikh Obeid, the southern Lebanese Hizbollah leader kidnapped by Israel, Western pressure to stop Israel attacking Lebanon, and freedom for three Iranian hostages captured by Lebanese Christian militiamen.



Electoral law reform campaigners at a rally opposite the Knesset yesterday

Shamir assails Baker supporters

By Hugh Carnegy in Jerusalem

MR Yitzhak Shamir, the Israeli Prime Minister, underscoring growing discord between the US and Israel, yesterday issued a sharp riposte to criticism of his refusal to accept a proposal by Mr James Baker, the Secretary of State, for Israeli-Palestinian peace talks.

He told a radio interviewer: "I must say there is something perhaps ridiculous in the very slogan 'yes to Baker'. We are happy we co-operate with the US Government in the bold effort to reach some sort of agreement with the Arab world. . . but. . . no-one can expect we will accept every proposal or idea of an American Secretary of State, come what may."

In other statements during yesterday's 42nd anniversary of the founding of Israel, Mr Shamir also made clear his support for further Jewish settlement of the occupied Arab territories, regardless of strong US criticism of settlements established in the past few weeks. He added, however, that "to my great regret" economic constraints meant massive settlement would not be possible in the next two years.

Mr Shamir is negotiating to establish a new Government led by his Likud Party which would continue to reject Mr Baker's terms for talks on Mr Shamir's own peace proposals because of the belief they would allow a role for the Palestine Liberation Organisation in the process. An attempt by Mr Shimon Peres, the Labour leader, to form a government that would have accepted the plan failed last week.

Campaigners for electoral reform to end the political bartering that Likud and Labour have engaged in over the past month yesterday presented a petition signed by 500,000 supporters – more than one tenth of the population – to President Chaim Herzog.

The campaign has grown so large that some senior figures believe it may not be possible to ignore it much longer. In outspoken support for the campaign, Mr Herzog said political leaders had made "an absolute mockery" of democracy in recent weeks and said reform was essential and possible.

"How can citizens who have the democratic right to choose their representatives watch calmly the political phenomena revealing a total contempt for the principles of democracy and their distortion," Mr Herzog said.

Several thousand demonstrators staged a protest rally in front of the Parliament to press for a new political system.

Pakistan to spend more on defence

PAKISTAN, engaged in a row with India over disputed Kashmir, has raised its defence budget by more than 11.6 per cent, Pakistani newspapers reported yesterday, Reuter reports from Islamabad.

They quoted senior Defence Ministry officials as saying that the Government of Ms Benazir Bhutto, the Prime Minister, had recently given an additional Rs4bn (£110m) to the armed forces to meet the country's defence needs. There was no immediate information about how the money would be spent.

Half of the additional amount was provided from revenues generated by increases last month in the domestic prices of petroleum products and fertilisers, the government-controlled daily, The Pakistan Times, said. It quoted the officials as saying the payment was in addition to the defence budget of $2.45bn (£1.5bn) for fiscal 1989-90, ending on June 30.

Police shoot two dead in Nepal

Two people were killed in the central Nepal town of Pokhara yesterday when police fired on a crowd trying to attack a government building, witnesses said, Reuter reports from Kathmandu.

They said eight people were wounded when the crowd of several hundred tried to attack the building, the local centre of the now dismantled government system of non-party councils.

Police said the attack was beaten off but could not confirm the number of dead or wounded. They said they believed the attack was organised by extreme leftist groups that stayed out of a democracy reform movement of liberals and communists that later formed an interim government.

Nigeria closes newspaper

Nigeria closed one newspaper and detained the deputy editor of another yesterday as authorities searched for supporters of a failed coup, witnesses said, Reuter writes from Lagos.

The popular Punch daily failed to appear on the streets of Lagos and security staff outside the newspaper's premises told Reuters they could not let anyone in because state security men had sealed the building.

HK steps up camp security for boat people after escape

By John Elliott in Hong Kong

HONG KONG last night strengthened the security at Vietnamese boat people detention centres following the escape of more than 100 inmates from its large and restive Whitehead camp on Saturday night.

A recent series of smaller breakouts continued on Sunday night when another 25 escaped from a small centre on Hong Kong island.

Senior police officers appealed to villagers living near the centres not to carry out threats to form vigilante groups in the wake of reports of armed robberies and assaults.

Only about 25 people have been recaptured.

Security forces had advance warning late last week of a possible breakout by 700 people from Whitehead.

However reports say that camp guards, who are drawn from the colony's prison staff, watched helpless as the armed escapers, including women and children, cut through 12-ft high barbed wire fences and walked to freedom.

This means Hong Kong is facing its most serious potential crisis involving the 55,000 boat people now in the its camps.

Furthermore, morale among the seconded prison staff is beginning to fall. There is also a risk of serious social unrest if there are clashes between escapers and some local Chinese residents who resent the Vietnamese presence in Hong Kong.

Low growth hits Manila markets

THE Philippine stock market fell to its lowest level in 12 months yesterday after the Government substantially scaled back its growth projections for the economy, Reuter reports from Manila.

Persistent fears over the threat of further coup attempts and the erosion of business confidence because of continual electric-power cuts in Manila caused the Manila Stock Exchange to close at its lowest level for a year.

The Finance Secretary, Mr Jesus Estanislao, said on Saturday that real gross national product might rise only 4 per cent this year, instead of an original projection of 6 per cent.

He said the Government was working on a package of reforms to put the economy back on track. But the Philippine Congress has blocked his request for higher taxes, while interest rates have climbed to 28 per cent.

The share market has been in steady decline since after the Easter holidays on investor reluctance to buy stocks in the face of frequent electric-power cuts.

Israeli privatisation stalls despite rare political consensus

There has been progress, but technical hitches threaten to limit scope of wide-ranging programme, writes Hugh Carnegy

FIRST Boston spun the propeller two years ago with an 80-page master plan. The engines were fuelled by broad political support. But privatisation of Israel's many big state industrial holdings has yet to get fully airborne.

The latest hitch is one which has blighted almost all aspects of public life in Israel this spring: the lack of decision-making caused by the prolonged government crisis. That should be a temporary holdup, but even before it occurred, the privatisation programme had run into difficulties which threatened to limit its scope.

When Israel faced up to the painful task in 1985 of tackling South American-scale inflation and gigantic deficits, the austere fiscal policies that were adopted were accompanied by an intention to dismantle the state's dominant role in the economy in favour of a much more market-oriented system.

An inevitable target was the 170 companies owned or controlled by the Government. Together they made up some 12 per cent of economic activity but their profit record was poor, with overall return on capital in 1988 of less than 2 per cent. Interestingly, both the main political parties, Likud and Labour, were strongly in favour of privatisation, seeing it as a necessary element in the bid to modernise an economy that relied too heavily on outdated socialist institutions.

UNBUNDLING THE STATE

For Labour especially – as the party of Israel's founding socialist Zionists – opting for privatisation was no small ideological leap. But there was little argument as the then Likud-Labour coalition instructed First Boston to draw up a privatisation plan.

The US investment bankers duly produced a blueprint for the sale of 25 state companies through a mixture of private placement and public offering, depending on the characteristics of individual cases. It said 12 of these companies, including Israel Chemicals, the most profitable state enterprise, should be prepared for privatisation immediately.

A schedule of up to four years was recommended for the disposal of the others. These included Bezeq, the state telecommunications monopoly, and the electricity utility – both slated for public offerings after two years – and companies such as the airline El Al and Israel Aircraft Industries, the biggest state company pre-eminent in Israel's large defence sector.

A number of technical problems to be ironed out before privatisation were pointed out for the 13 companies not included among those suitable for immediate sale. In the case of the utilities, regulatory regimes were required and pre-privatisation debt issues were recommended. In others, weak financial performance required time for restructuring to take place. For example, El Al, though back in profit recently, was in receivership, and IAI, also back in profit in 1989, was at the time suffering heavy losses.

The Government accepted the master plan and began to talk of privatisation receipts totalling $5bn. It fell to Mr Ze'ev Refua, a private sector businessman brought in to head the Finance Ministry's Government Corporations Authority, to put the programme into action. Two years later, despite some progress, he is still uncertain whether it will prove possible to deliver the flagship companies of the programme to the private sector.

His chief problem has proved to be acute political disputes, not about the principle of privatisation - which almost every politician still publicly adheres to - but about the way it has been carried out.

Objections have arisen mainly over the sale by private placement of government holdings, a key element given the small size of the Tel Aviv Stock Exchange. The Finance Ministry managed to push through the sale of a 75 per cent stake in Paz Oil to an Australian investor for $100m, and later an 82.4 per cent chunk of Jerusalem Economic Corporation – a property company – for more than $54m to a group headed by Bear Stearns. But both transactions encountered opposition over both the price paid and method adopted – respectively said to be too low and too secret.

Much of this opposition was seated in the Knesset Finance Committee, which has a veto over all privatisation issues. When Mr Refua and Mr Shimon Peres, then Finance Minister, insisted on following First Boston's recommendation of selling privately – again, to a foreign investor – a 50 per cent stake in Israel Chemicals worth an estimated $400m, the Finance Committee voted by an overwhelming majority to block such a move.

This time, the committee's main concern was to prevent the transfer to foreign control of a "strategic" company. ICL, a leading producer of bromides with an annual turnover of $1.2bn, exploits Israel's only natural resource, potash. Mr Refua had been in negotiation with 10 foreign concerns, ranging from big chemical companies to Mr Robert Maxwell, the British publisher.

The Finance Committee decision threw Mr Refua's negotiations into disarray. And as ICL was held up as the key to the major part of the privatisation process, the whole programme was out of gear. The collapse of the Likud-Labour coalition last month - and Mr Peres's departure from the ministry - added to Mr Refua's difficulties. Before he left, Mr Peres decided to forge on with the private sale plan, but it seems unlikely investors will show much interest without knowing exactly what is for sale.

The Finance Committee favours a public offering in ICL, followed by the private sale of a minority stake. Public flotations have become something of flavour of the month politically and are popular in the investment community.

Several small flotations have been completed, most notably the sale recently of 49 per cent of Maman, an air cargo handling company. Mr Refua is also preparing to go public in Tel Aviv and New York with a 25-49 per cent stake in El Al and a 5-10 per cent stake on the Tel Aviv market in Bezeq, worth $100m, although these seem some way off still.

There is some official concern, however, over the ability of the local capital markets to absorb all these offers, especially as the Government's majority shareholdings in the country's four major banks (a separate issue from industrial privatisation) are due to be sold off over the next few years. Private placement remains the preferred option for other big companies, such as Oil Refineries and Elta, a subsidiary of IAI, both listed by First Boston as ripe for immediate sale two years ago.

Mr Refua, who is due to return to private business soon, still regards ICL as the touchstone of the whole programme, the sale that would convince investors that the Government is serious about privatisation. "If we can succeed in selling ICL, we will have proved (privatisation) can be done. If not, then, yes, we will sell the small companies, but not the big ones."

Previous articles in this series appeared on the foreign pages on February 28, March 6, 13, 23, 29, April 4, 11, 19 and 25

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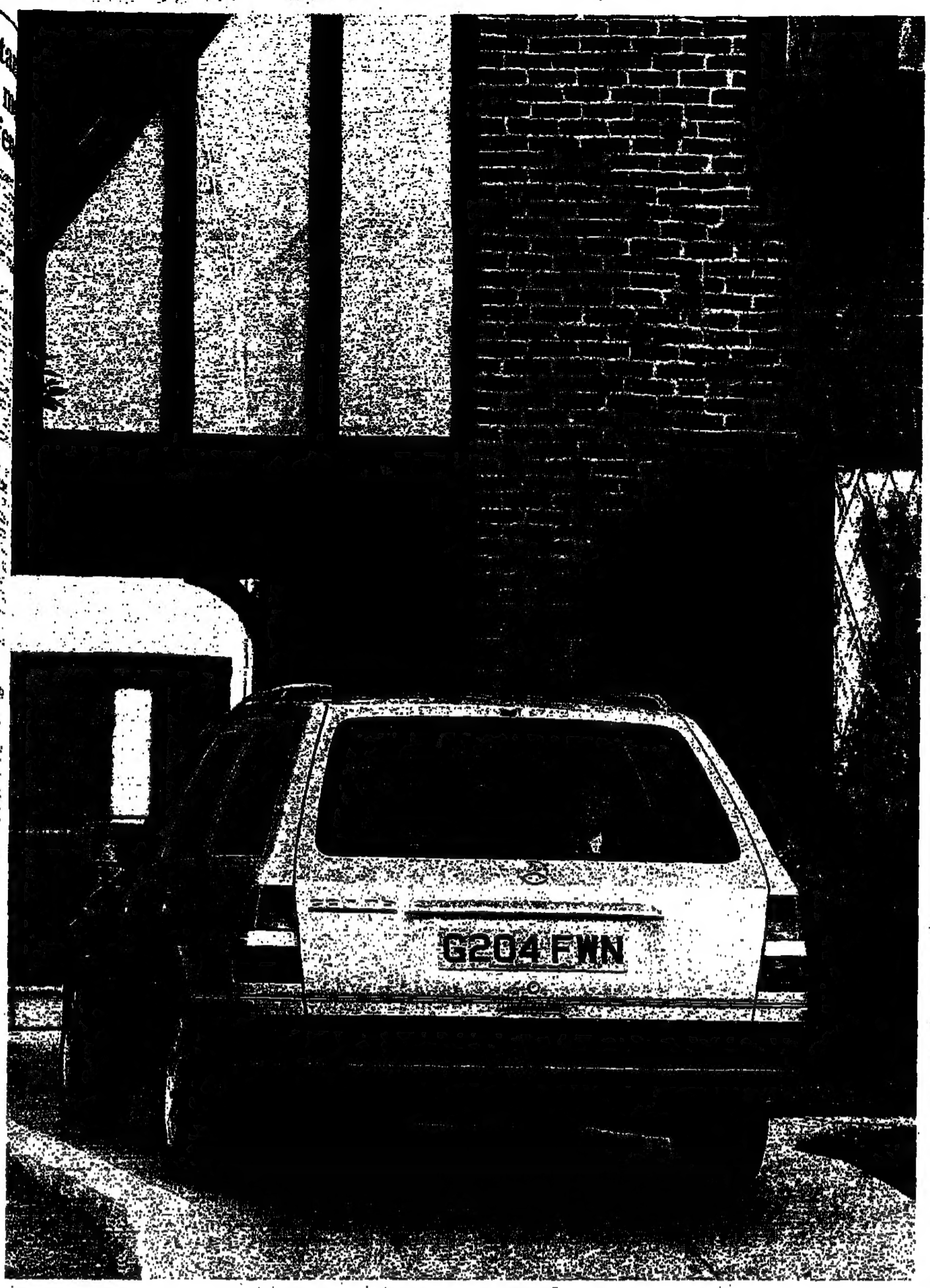

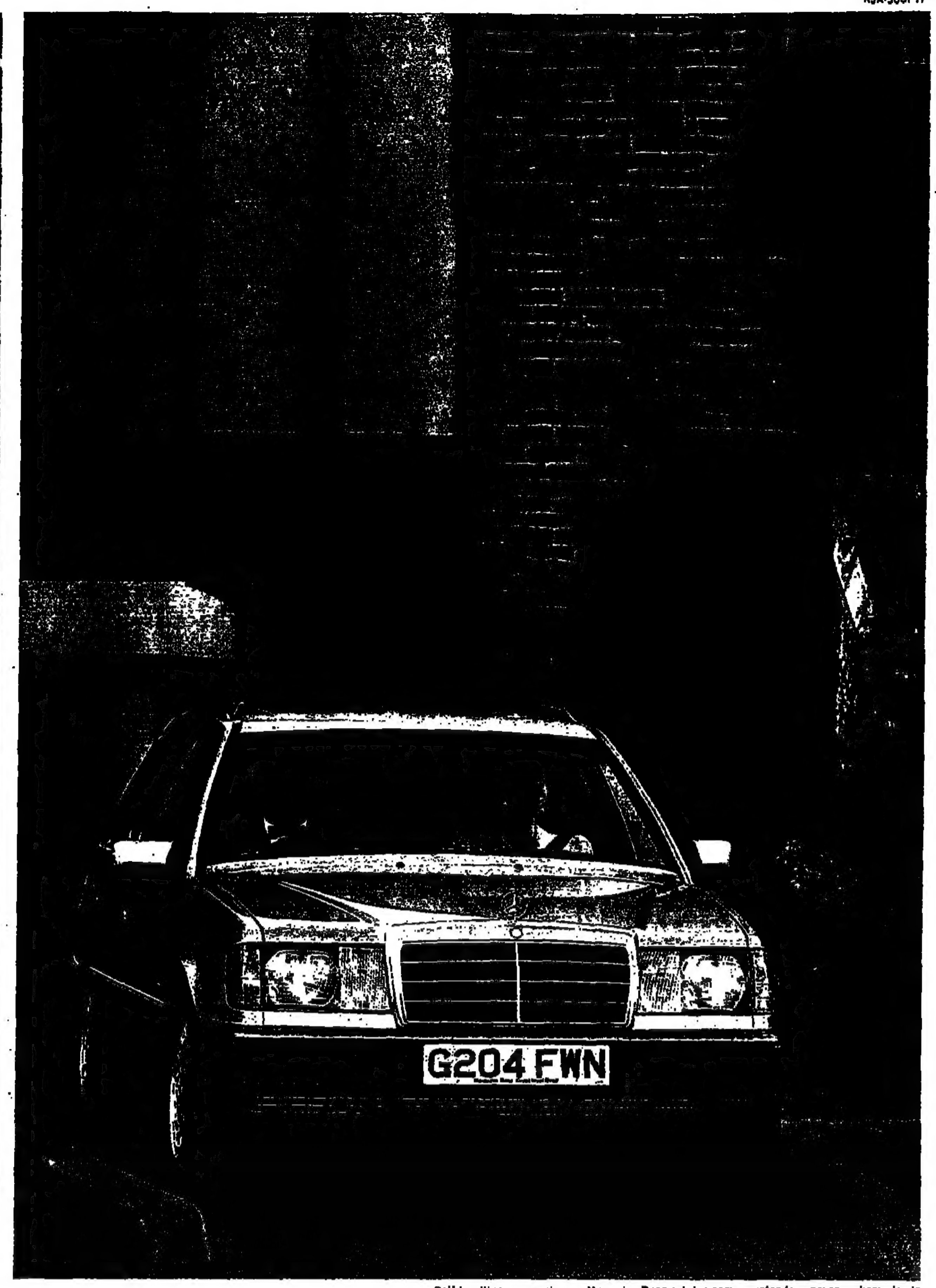

Self levelling suspension on Mercedes-Benz estates compensates for uneven or heavy loads

School tie or black tie?

If the Mercedes-Benz 230TE estate is fitted with an optional, fold-away, third row of seats, it will hold seven people. All securely belted in place. Perfect for ferrying your children and their friends to and from school.

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A Saloon In Estate Clothing

Then, with the chores of the day behind you, the 230TE is equally convincing as an evening limousine.

Like every Mercedes-Benz, the six estates in the 230TE-300TE series (five petrol and one diesel) are extraordinary amalgams of logical design, masterly engineering and aesthetic purity.

But in no Mercedes-Benz is the first of these qualities more triumphantly displayed than in the estates.

Start with the tailgate. It opens high and wide, offering unrestricted access to an uncluttered interior. Heavy objects need be lifted no higher than bumper level.

And there's no need to slam the tailgate shut; simply lower it and turn the key. The door seals itself with an electro-mechanical sigh.

Six Seating Arrangements

Inside, two covered compartments are recessed into the floor. The 230TE can be a seven-person people carrier or, at the other extreme, a commodious transporter that allows only the driver's seat to intrude on the load space.

In all, there are six seating/load configurations and objects up to 9.5 feet in length (ladders? timber? fishing rods?) can be accommodated. And there's a roof rack.

You'll be impressed by the self-levelling version of the Mercedes-Benz multi-link rear suspension, too. (And you can add tauter Sportline suspension and even more supportive Sportline front seating if you wish.)

You'll also be impressed by the smoothness of the 230TE's 2.3-litre, 136bhp, four-cylinder engine, a powerplant with more than enough gusto to cope with your biggest load.

And, in the evening, more than enough refinement to waft you to Glyndebourne in an atmosphere of anticipatory silence. (And think of the hamper you'll be able to carry.)

World Sports Car Champions 1989

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OVERSEAS NEWS

An economy running out of steam

Michael Holman on how Ghana's success stories could turn sour

GHANA'S impressive aid-inspired economic recovery, now in its seventh year, is in danger of running out of steam.

On the face of it, there is little cause for concern. The economy has been growing at 6 per cent annually since the Economic Recovery Programme was launched in 1983, and while per capita incomes today remain below 1975 levels, they have increased by a quarter since Ghana opted for structural adjustment.

But the economy has become so aid-dependent that there is a very real possibility of one of the continent's rare success stories turning sour as has already happened in Ivory Coast, and looking increasingly likely in Kenya. There is no single explanation for this, but the confluence of a number of forces threatens to undermine the programme.

The most obvious, though hopefully short-term, problem is weak export performance, largely attributable to the collapse of the cocoa price in 1988/9 and, more recently, a lacklustre gold market.

Official estimates suggest exports fell 20 per cent last year to just over $800m and their lowest level since 1985. Ghana's export base is very narrow with three products accounting for 70 per cent of total earnings – cocoa more than 40 per cent (in 1988), followed by gold with 16 per cent and timber (11 per cent).

Its difficult to be optimistic about near-term export prospects, and official projections point to a further 6 per cent export decline this year. While cocoa prices appear to have passed their trough they will remain weak for the immediate future; although gold earnings will increase with the projected rise in output from 270,000 ounces in 1987 to well over one million ounces by 1993, at which stage gold will become the country's top export, the external payments position will remain under severe strain, and increasingly dependent on donor generosity.

Meanwhile, imports have risen steadily, largely on the strength of net aid inflows which doubled from $420m in 1985 to $850m last year.

Imports are forecast at $1.2bn in 1990, or some 24 per cent of GDP, leaving a trade gap of more than $400m. With debt-service payments of $315m the balance of payments profile is perilous. Given the likelihood of sluggish export growth during the 1990s, debt relief is one obvious partial solution, but the key to long-run growth is a recovery in private investment. While investment increase from only 4 per cent of GDP in 1982 to 15 per cent, the private sector's share is running at a mere 4 per cent.

A third weakness is inflation. Despite the elimination of the budget deficit and tight credit controls, inflation averaged 30 per cent until last year when it slowed slightly to 25 per cent. Continuing high inflation despite the restrictive fiscal and monetary stance partly reflects the combination of excess liquidity in the banking sector, exacerbated by unsatsified demand for consumer items, and upward pressure on input costs from the cedi devaluation, down from 2.75 to the dollar in 1983 to 310 at present.

The most formidable challenge is that of reviving private investment. IMF figures put net foreign investment in Ghana during the 1980s at less than $100m, half of which took place before the reform programme was launched.

In February, the Ghana Investment Centre and the World Bank's recently-established Multilateral Investment Guarantee Agency, (MIGA) staged an investment promotion conference in Accra designed to encourage new investment by both local and foreign companies.

In his keynote address, Fl-Lt Jerry Rawlings, Chairman of the ruling Provisional Defence Council, seized the opportunity to launch a scathing attack on multinational companies, accusing them of "arrogance and corruption". His advice to Ghanaians: "Look for the catch in foreign investment" typifies the climate of mutual suspicion and mistrust between foreign investors and so many African governments – the elimination of which is crucial to the achievement of self-sustaining, as distinct from aid-promoted, growth.

The subsequent rush by western diplomats and international agencies to put the Rawlings speech "into context" – by judging the Ghanaian leader policies rather than statement – was less than convincing.

Although gold earnings will increase, Ghana's external payments position will remain under severe strain

At a time when Eastern Europe is opening its doors to foreign capital, African leaders, already facing an uphill battle in attracting new investment, cannot afford the luxury of shooting themselves in the foot.

Ghana's international investment image is not helped either by its unstable political environment. Since seizing power, for the second time, 10 years ago, Jerry Rawlings has been the target of a number of unsuccessful coup attempts, two of them in the last year. There is no other mechanism for changing the government and although the PNDC has promised participatory democracy at grassroots level, this has gone no further than the establishment of district assemblies.

Thirty years ago, Ghana's economy was very similar in size and performance to that of South Korea. Today, even after six years of growth averaging 6 per cent annually, its GNP of some $6 billion and income per head of $410 compares with Korea's GNP of $155 bn and per capita income of $3,600.

This widening gap, so typical of the entire African continent in the last 20 years, will be narrowed only when private investment regains its momentum of the immediate post-independence period.

Ghana needs to invest a quarter of its GNP each year and it is simply unrealistic to expect foreign donors, whose assistance is currently almost 15 per cent, to reach this target.

One long-promised and promising reform – that of privatising Ghana's bloated state-owned industries, which account for no less than 60 per cent of industrial production, – has been stalled for the past 18 months. This could yet turn out to be one vehicle for reviving private investment, but only if the policy changes embodied in the reform programme are seen to be matched by attitudinal changes by the political leadership, whose present commitment to private enterprise is less than wholehearted.

Town 'falls' to Eritrean rebel troops in advance

REBELS in northern Ethiopia said yesterday that they had captured another town in Eritrea province where rebel forces are advancing on the provincial capital Asmara from the south, Reuter reports from Nairobi.

The Eritrean People's Liberation Front (EPLF) said its forces wiped out the army garrison at Digsa, 70 km (45 miles) south of Asmara, on Sunday.

It was the third town in southern Eritrea which the EPLF claims to have captured last week, following Senafe and Adi Kayeh.

All three are on the main road leading south from Asmara towards Addis Ababa, the Ethopian capital.

EPLF spokesman Yemane Gebre Meskel told Reuters by telephone from London that he had no details of casualties.

Ethiopia's Soviet-backed government has not confirmed the fall of Digsa, Adi Kayeh and Senafe.

But it announced on Friday that rebel forces had opened a new front in southern Eritrea.

The Council of State said in a statement the appearance of this new front was "very alarming" and had brought the civil war in Eritrea "to a dangerous stage".

Yemane said the EPLF advance in southern Eritrea meant rebel forces were now able to threaten the right flank of government forces trying to push down the main road from Asmara to the Red Sea port of Masawa.

The EPLF captured Masawa in February, reducing the government-held area of Eritrea to a landlocked enclave which can only be supplied by air.

There was heavy fighting in April at Ghinda, 70 km (45 miles) inland from Masawa, as the army tried to break through the EPLF frontline and recapture the strategic port.

The EPLF said it repulsed these attacks, killing more than 6,500 government soldiers.

The EPLF is fighting for the independence of Eritrea, a former Italian colony which was federated with Ethiopia in 1952 and fully integrated with the country under pressure from Addis Ababa 10 years later.

UK NEWS

BRITAIN IN BRIEF

Cut in car exhausts 'impossible'

Mr Cecil Parkinson, the Transport Secretary, yesterday said it would be impossible in the short term for the UK to reduce significantly emissions of carbon dioxide from vehicles.

He indicated that Britain was looking for longer-term targets to be achieved by the end of the century through international co-operation.

The possibility of including engine tuning, however, in the annual test for all vehicles more than three years old is being considered as a way of reducing exhaust gases that damage the environment, Mr Parkinson told a conference on transport and the environment.

He added that if engines had to be re-tuned as part of the MoT test, emissions of carbon dioxide from exhausts might be cut by by 5 per cent to 10 per cent. Environmentalists at the conference, held in London, were disappointed by the speech. Mr Steve Elsworth, air pollution campaigner for Greenpeace, described it as depressing.

Heals staff ballot on action

Staff at Heals, the furniture retail chain owned by Storehouse, are likely to be balloted on industrial action over changes to the way their sales staff are paid which wuld link their wages more closely to how much they sell.

The shop workers union Usdaw is planning a union ballot on industrial action over the proposed new pay structure at Heals two stores in central London and Guildford, which the union claims would lead to pay cuts of up to £1,000 a year.

Home loans fall by 10%

Home loans by UK banks fell by ten per cent in the first quarter of the year, according to figures released by the Committee of London and Scottish Bankers yesterday.

Gross loans during the first quarter of this year were £1.549bn, compared to £2.2bn in each quarter of this year. However the slowdown may indicate a lessening of interest among the clearing banks, who have a relatively small share ofthe mortgage market, rather than a trend in the market as a whole.

Metrotect buys BPB Industries

The management of Metrotect, the West Yorkshire pipeline coater which won a Queen's Award for Export Achievement last month (April), has bought the company out from BPB Industries for £7m

Metrotect, which employs 70 people at Cleckheaton, specialises in hot coat-and-wrap pipeline protection and claims world leadership in glass-fibre outerwraps. Its plasticised coal tar and bitumen coatings are used offshore or when pipelines are buried in aggressive, salty or acidic soils.

The company's appeal to its backers is its independence of the UK economic climate.

EC training 'inadequate'

Inadequacies in training and education in European Community countries combined with growing strains on the supply of skilled labour are likely to impair the employment-creation effects of the 1992 programme, according to a new study.

The study of national labour markets within the EC says that six gaps are emerging in a majority of states which are likely to impair business growth and will hinder the recovery from the initial shake-out of employment.

Mr Amin Rajan, a visiting professor at the City University Business School, argues in the study that a failure to improve training and education systems in EC states could "nullify attempts to create a new industrial dynamism."

Power clash over oil

The coal and electricity industries yesterday clashed over the reasons for a steep increase in the amount of oil used in British power stations.

British Coal blamed a breakdown in imports of French electricity through the cross Channel cable links last December for a recent 71 per cent increase in power station oil consumption.

Imports of French power have resumed but French electricity officials yesterday voiced concern that national production levels would again be hit by the continuing low rainfall which last year cut hydroelectric output and starved nuclear stations of cooling water.

Manx sexual offences debate

The Isle of Man Government is today set to debate its Sexual Offences Bill in a second attempt in three years to legalise homosexuality. As the law on the island stands now a homosexual act in private between consenting adults is a criminal offence.

On the 24th April the president of the Legislation Committee of Jersey, in the Channel Islands, announced that island will introduce a bill legalising homosexuality. This leaves the Isle of Man the sole country in the Council of Europe in contravention of the European Convention on Human Rights.

Pressure for change in the law is being exerted by the UK Government, which has the obligation to secure for all citizens within its jurisdiction the rights enshrined in the European Convention.

Magazines to earn £1bn

The magazine industry in the UK is expected to take £1bn in advertising revenue this year compared with £600m five years ago.

The rise is evidence of a significant expansion of magazines over the past decade, according to a new review of performance in the industry .

The review, produced for the industry's first national conference today, shows that the number of consumer magazine titles rose by 69 per cent from 1,350 to 2,289 and the number of business titles by 64 per cent from 2,600 to 4,263 in the past 10 years.

Duke of Edinburgh: "Economic theory has to widen its horizons"

Duke issues warning to CBI

By Charles Leadbeater, Industrial Editor

PRINCE Philip, the Duke of Edinburgh yesterday told the Confederation of British Industry, the employers' organisation that economic thinking by business and government was dangerously underestimating the mounting risks of environmental despoilation.

He said cleanliness, honesty and politeness should be at the core of business strategies over the next 25 years.

But he too had his doubts about the value of the changes introduced in the 1980s.

Speaking at the CBI's 25th anniversary, he admonished the free market monetary economists who ten years ago were vaunted as liberators, for the confines of their vision.

Warning that over the next 25 years the world would face problems of a kind it had never before had to tackle, the Duke said: "This has not penetrated the cloistered salons of monetary economics. Economic theory has to widen its horizons to take into account the facts of planetary life."

Mr John Banham, the CBI's director general warned that British companies are facing the prospect of declaring redundancies and cutting investment as high pay settlements and rising units costs cut into profit margins.

His warning comes in the week that electricity workers are expected to be offered a pay increase of close to 10 per cent.

Offshore oil and gas operators place orders worth £3.9bn

By Steven Butler

OFFSHORE OIL and gas operators last year placed record orders for goods and services on the UK continental shelf worth £3.9bn, according to the Government's annual report issued yesterday on Britain's oil and gas resources.

Reflecting a strong upturn in the oil exploration and development, the UK offshore supply industry won £3.2bn of the total, or 81 per cent.

Actual capital expenditure for the year rose by 25 per cent to £3.6bn.

The year also showed substantial success in oil and gas exploration. The Brown Book, as the annual report is known for its chocolate-coloured cover, showed a slight increase in proven and probable reserves from 1,190m tonnes in last year's report to 1,200 tonnes at the end of 1989, indicating that oil companies replaced oil produced with new discoveries.

During the year a record twenty nine significant offshore discoveries were made. The 183 exploration and appraisal wells drilled represented the second highest total after 1984.

Proven and probable reserves of gas also showed an decrease from 1,195bn cubic metres to 1,185bn cubic metres.

Total initial oil reserves, included oil already produced rose to 1,290m tonnes on a proven and probable basis, or to 1,810m tonnes on a maximum possible basis.

Oil production last year fell by 20 per cent compared to 1988 to 91.8m tonnes. The Government however, sees oil output rising in the years ahead from between 85m and 110m tonnes this year to bewteen 80m and 120m tonnes in 1994.

Gas production last year hit 45bn cubic metres, a drop of one bcm, while imports from Norway were 10 bcm.

Despite the decline in oil production, proceeds from oil produced rose from £7.3bn to £7.3bn. Gas sales amounted to £2.1bn, up from £2.0bn. Government income from taxes and royalties were £2.3bn in 1989/90, compared to £3.2bn in 1988/89.

● *Development of the Oil and Gas Resources of the United Kingdom, Department of Energy 1990, London, HMSO, £22.50.*

Satellite TV executive criticises new station

By Raymond Snoddy

Mr Andrew Knight, executive chairman of News International yesterday accused British Satellite Broadcasting of trying to destablise Sky Television and sprang to the defence of his new boss "big bad Rupert Murdoch."

The News International executive told a London conference that BSB, which launched its five channel service on Sunday, had been running a direct mail propaganda campaign aimed at forcing Mr Murdoch to give up 80 per cent of Sky because of its other media interests.

Mr Knight appealed to Britain's media to stop indulging in backbiting and copy-knocking when talking about their competitors. And he appealed to BSB, a consortium in which Pearson, publishers of the Financial Times has a substantial stake, to stop representing them as a monster. "If you can produce good programmes as we have, you will succeed as we have, partly because we have helped revolutionise the way people think about television," Mr Knight told the conference. The combined capitalisation of BSB's main backers was over five times that of Mr Murdoch's News Corporation, he said.

Local poll 'will force' Thatcher to depart

MR NEIL KINNOCK, leader of the opposition Labour Party, said yesterday that Thursday's local election results would help ensure Mrs Margaret Thatcher left Downing Street before the next general election, writes Michael Cassell.

Mr Kinnock sought, however, to dampen expectations of sweeping gains for his party.

He expected the Labour Party to win between one hundred and two hundred seats but refused to predict victory in Conservative "flagship" councils such as Wandsworth and Westminster in London.

Some polls have suggested Labour could gain up to six hundred seats and wrest control of some Tory strongholds.

Ministers hope that local results will defy trends reflected in polls and are ready to use victories in some supposedly vulnerable boroughs to demonstrate that the principle of the poll tax is popular and that it is the size of household bills which must be reduced.

Mr Christopher Patten, the Environment Secretary, yesterday led the government's attempts to press home claims that Tory-controlled councils meant lower poll tax bills while Labour authorities spent excessively and charged more.

Rover to lay-off workers as US and UK sales fall

By John Griffiths

THE Rover vehicles group will next week start a third round of lay-offs to prevent a build-up of unsold Rover 800/Sterling executive cars following poor sales in the US and UK.

The decision affects mainly 1,200 assembly workers at Cowley, Oxfordshire, central England.

It has been taken after a 33 per cent fall in first quarter UK sales of the 800/Sterling compared with the same period last year, and a failure so far to improve the Sterling's poor sales record in North America.

In the US, Rover claims to have halted a long slide in Sterling sales.

But at 1,404 in the first quarter, they remain far below Rover's original target of 26,000 cars a year.

The UK executive car market, by far the most important for Rover, currently is running about eight per cent lower than last year.

Rover is not alone among the UK "big three" producers in experiencing a sharp sales fall.

Sales of the Carlton and Senator ranges made by Vauxhall, the General Motors subsidiary, are also about one-third down.

Ford, the European subsidiary of the US motor manufacturer, which last year introduced a saloon version of its Granada/Scorpio, has experienced a 9 per cent fall.

The Rover lay-offs will involve a total of 13 days, spread over three separate weeks in May, June and July. Those laid off will receive full basic pay but no bonuses.

Rover conducted a similar programme at the end of last year, and a second one during the run-up to Easter.

A total of 53 days' production will have been foregone by the time the new programme finishes.

Analysis, Page 25

Serving up a competitive brew for Britain's pubs

Philip Rawstorne looks at the Government's campaign to increase competition in the brewing industry

THE first of the government orders designed to introduce more competition in the brewing industry and more consumer choice in Britain's traditional public houses, or "pubs", comes into force today.

Under its terms, each of the big five brewers will now have to allow its tenanted pubs to sell a "guest" cask-conditioned ale in addition to its own brands of beer.

The tie on supplies of soft drinks, no-alcohol and low-alcohol beers and cider will also be removed.

The order – resulting from the recent Monopolies and Mergers Commission inquiry into the industry – affects more than 21,500 pubs across the country owned by Bass, Allied-Lyons, Grand Metropolitan, Whitbread and Courage.

Scottish & Newcastle has avoided the guest ale order by reducing its pub estate to less than 2,000.

In theory, the move should give a boost to regional brewers, including many of the micro-breweries established in recent years on the back of the real ale boom, by providing new outlets for their product which has been brewed in the "traditional" way.

The Campaign for Real Ale, the pressure group which helped turn the consumer tide against beer brewed by modern techniques under pressure in a metal keg, has welcomed the move as "a real opportunity" for the independent breweries, and it has distributed leaflets to publicans urging them to take advantage of their rights.

But much scepticism remains in the industry about the gains that, in practice, the regional brewers will secure; and how widely consumer choice will be extended.

The opportunity itself is limited. Mr John Spicer, analyst at Kleinwort Benson, estimates that the guest beer market could amount to 1.2m barrels a year at most – around 4 per cent of ale consumption.

"The regional brewers would have to supply all of this and a little more to avoid the expected overall decline in production by the end of the decade."

Main beneficiaries are likely to be the the quoted regional brewers with the strongest brands – Fullers (with Chiswick, London Pride, and ESB), Greene King, the East Anglian brewer (IPA and Abbot Ale), Marstons (Pedigree), Wolverhampton & Dudley (Bank's), and Youngs (Ordinary and Special Bitters).

DRAUGHT ALE SALES
(millions of barrels)
includes mild bitter and stout

	1988	2000 (estimate)	% rise (fall)
Cask conditioned	5.7	6.5	15
Brewery conditioned	10.2	4.0	(60)
Total	15.9	10.5	(34)

Source: Kleinwort Benson Securities

Wolverhampton & Dudley is offering a series of inducements to pub tenants to take its ale; Marston has a reciprocal distribution agreement with Whitbread; Greene King has increased its television advertising.

Fullers and Youngs, with 12-15 times more national brewer tenancies in their London trading area than managed pubs, have more potential outlets

Competition will come from some of the larger unquoted regionals such as Wadworth, Thwaites, Adnams, Brakspears and Sam Smiths. But the fiercest competition is likely to come from the big brewers themselves as they seek to stem any drain on their business. Each is offering to supply its tenants from a list of cask-conditioned ales which includes selected brands from rival brewers.

Few tenants may, in the end, have the independence to ignore such arrangements and make their own deals with other brewers.

Bass, the country's biggest brewer, apart from its heavily advertised Draught Bass, Stones, Brew X1, and Worthington, says it is offering "a range of products which varies from area to area to meet local consumer tastes."

Those of its 4,328 tenants who order guest ales through the company, it points out, will gain advantages in technical services and point-of-sale promotions.

GrandMet, stressing that its 3,550 tenants may buy their guest ale from any source, is negotiating increases in their rents to take account of their "new retail opportunity." Apart from its Ruddles and Websters brands, it is offering to supply an additional local brew in each region: Brenin bitter in South Wales, Burt's Bitter in the Isle of Wight, for example.

Courage has listed 13 guest ales – from Eldridge Pope's Royal Oak Premium and Wadworth's 6X to Everard's Tiger Bitter and Mansfield's Riding Traditional. But it is only prepared to supply each of them to tenants in the area in which it is brewed.

Allied Breweries, in addition to its Tetley's and Burton brands, is similarly offering its 4,500 tenants a variety of local products: Youngs in London, Boddington's in Lancashire.

Whitbread says it is making "no special arrangements to satisfy every possible demand." It considers its portfolio, which includes Boddington's, Marston's Pedigree, Flowers and Wethered's, is extensive enough for most tastes among its 4,200 tenants. "But if a very strong demand for another product emerges in any area, we shall consider the position."

Each of the major brewers intends to market its own cask ales more aggressively. The aim is not only to persuade its own tenants to remain loyal to its brands, but to penetrate rival pub estates; and to secure shares of the growing and more competitive off-licence trade.

One incidental result may be to encourage a general switch in demand from keg to cask beers.

The Office of Fair Trading will be closely monitoring the effect of the order on consumer choice and on prices over the next two years.

But it may have less significance in the longer term if the forecasts of a 14 per cent decline in pub beer sales, and the closure of some 5,000-6,000 pubs by the end of the decade, are correct.

MPs come under pressure to keep Commons on TV

By Ralph Atkins

PRESSURE was yesterday raised on MPs to make television cameras a permanent fixture in the House of Commons with the publication of an independent study describing the experiment as "a greater success than seemed possible".

TV news reporting of proceedings has risen by at least 80 per cent since the project began in November, says the Hansard Society, a charity which seeks to promote understanding of Parliament.

Live afternoon transmissions attract up to 2m viewers with the off-peak "round-ups", such as Channel 4's "The Parliament Programme", attracting up to 250,000. Several MPs who opposed introducing the cameras are now supporters, it says. Television is improving contact between MPs and constituents.

Publication of the report comes as the Commons' select committee on broadcasting the chamber embarks on its review of the experiment. MPs are expected to vote on whether to continue the experiment, based on the committee's findings, in late June or July.

Despite its broad support for televising, the Hansard report highlights areas of concern such as the restrictions on camera shots are damaging.

Earlier this year restrictions were relaxed, allowing greater use of "reaction" shots but the change did not apply to question time or ministerial statements.

The authors, which included Mr Alastair Hetherington, professor of media studies at the University of Sterling, agree with one senior television editor who is quoted as saying "MPs, in trying to prevent distortion, have created it."

The January changes also saw the introduction of the "group shot" – midway between the standard head and shoulder and wide-angle shots. It value was best demonstrated during the lengthy coverage of the Budget speech, the study says.

At a press conference to launch the study, Sir Barney Hayhoe MP, chairman of the Hansard Society, said overseas interest in the Commons had been "astonishing", turning the Speaker into a minor celebrity.

"If he was to walk down Broadway in all his regalia, he would at least be recognised as the speaker of the Commons whereas a few years ago he would have been arrested," Sir Barney said.

"Cameras in the Commons", Hansard Society, 16 Gower Street, London WC1E 6DP. £10 non-members.

N Ireland businesses warned of cut in aid

By Hazel Duffy

BUSINESSES in Northern Ireland were warned yesterday by the Government that they can no longer expect subsidies at the levels to which they have grown accustomed.

In future, government assistance will be directed less on capital projects and more on improving the performance of companies through training, management development and research and development.

The plan, compiled by the Department of Economic Development in Belfast and launched yesterday by Mr Peter Brooke, Northern Ireland Secretary, is the most forceful effort so far to make industry in the province become more competitive and to stand on its own feet.

If the plan does not succeed, the province's rate of unemployment – the highest in the UK – will not fall, and high level emigration to mainland Britain will continue.

Publication of the plan follows recent critical studies of the Government's industrial policy in Northern Ireland, from the Northern Ireland Economic Council, whose members are appointed by government, and the independent Northern Ireland Economic Research Centre.

Both bodies highlighted the failure to make industry in the province more export oriented, and the paucity of jobs which actually result from inward investment as opposed to the number of jobs promised.

Northern Ireland, "Competing in the 1990s – the key to Growth", Department of Economic Development, Netherleigh, Massey Avenue, Belfast

LUI must add up to £100m to reserves

By Patrick Cockburn

LONDON United Investments, the UK insurance group, has revealed it needs to top up reserves by between £75m and £100m to meet future claims.

The figures, unveiled yesterday by Mr Peter Wilson, LUI's chief executive, come from a draft report by consulting actuaries Tillinghast.

LUI's shares were suspended in March when the Department of Trade and Industry ordered its main insurance subsidiary, Walbrook Insurance, to stop writing new business.

Walbrook's solvency was in turn threatened by a shortage of reserves in six LUI subsidiaries facing heavy claims on US liability business written in the 1970s and early 1980s.

The Tillinghast figures are below some insurance industry estimates which put the shortfall in reserves at £150m-£200m.

"We have already had draft reports and I don't think the numbers will change very much," said Mr Wilson.

He added that meetings on the future of LUI were continuing this week with insurance brokers led by the Sedgwick Group and Marsh & McLennan.

The brokers are concerned that the liquidation of LUI would damage the London insurance market, expose them to litigation by clients and ultimately lead to policy holders not being paid.

But the brokers admit it is extremely difficult to put together a rescue plan because of uncertainty about the level of claims likely to hit LUI subsidiaries.

These units insured US companies and institutions for professional indemnity, environmental impairment and other liability risks under policies which are still producing claims.

Problems seen for small biotechnology companies

By Peter Marsh

FEW small British businesses in biotechnology will expand to provide significant sources of wealth or employment, according to a study by researchers at Heriot-Watt Business School in Edinburgh.

The study says that many small companies in the sector face long lead times in developing products.

They also find it difficult to discover small market areas for products that are free from large established groups in fields like chemicals and pharmaceuticals.

Biotechnology is the umbrella term for a range of new techniques for producing drugs and other chemical products using novel ideas in biology including genetic engineering.

The sector excited much interest in the early 1980s but since then many of the small companies set up to develop biotechnology techniques have made slower than expected progress.

The Heriot-Watt study was based on a survey of 48 biotechnology companies in Britain. Many of them face funding problems, according to the report.

New Firms in the Biotechnology Industry: Their Contribution to Innovation and Growth. Department of Business Organisation, Heriot-Watt Business School, Box 807, Riccarton, Edinburgh. EH14 4AT.

TECHNOLOGY

David Fishlock examines the product which won a recent Queen's Award for Amersham International

Sparked off by chemical light

Amerlite, a British innovation in healthcare, has just won a Queen's Award for the university and industrial teams which collaborated in its development. For Amersham International, Amerlite is the first big diversification from its established business in radioactive products.

At a research and development cost of £30m-£40m so far, Amerlite is the biggest project in Amersham International's £20m annual corporate R&D budget, and occupies more than 100 scientists. The company expects it to remain a major project at least until the mid-1990s.

Amersham International, born as the Radiochemical Centre in 1940, specialises in radioactive substances for a great diversity of uses, from hospitals to homes. In the 1970s its best-selling innovations were kits – rather like chemistry sets except that they needed a radioactive reagent. They allowed medics to make quick assays of many hormones and other analytes found in blood and body fluids.

By the late 1970s Amersham was concerned about its ability to sustain rapid growth, given that radioactivity was becoming less popular. It began looking for a new technology to replace radio-immuno-assay (RIA), the discovery which led it to pioneer the RIA kit.

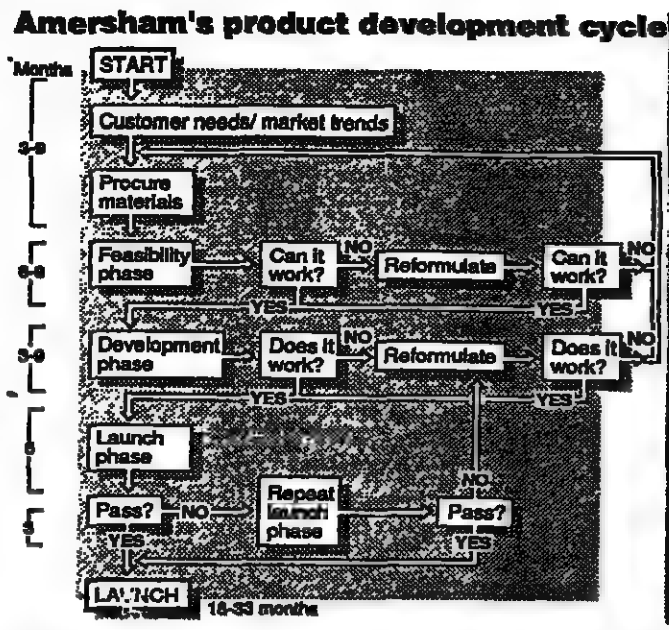
A group of 15 scientists was formed to search for alternatives and more than 30 technologies were found to investigate. "We were looking for something that had all the attributes of radioactivity without being radioactive," one Amersham executive recalls.

The group was seeking a "label" by which a specific natural molecule such as a hormone might be traced and measured. A radioactive label can be used to assay a complex chemical such as insulin in just minutes.

In 1982 the National Research Development Corporation (now British Technology Group), brokers for Government patents, introduced Amersham to enhanced luminescence. The development corporation offered the findings of Professor Tom Whitehead and his group at the Wolfson Research Laboratories at Birmingham University. Their research was part of a programme funded by the Department of Health.

Luminescence is a chemically generated flash of light – similar to the flash of the firefly and other creatures. Normally this flash is very brief, just a second or so, which makes it difficult to catch and measure. Whitehead showed how it could be sustained for at least 20 minutes, by a process he called enhanced luminescence.

Amersham's product development cycle



Charlie Martin, a chemist with Amersham's development group, was made project leader for a joint feasibility study. Within two months he was convinced that the process would be successful. The next step was a joint research programme, with Amersham scientists asking questions the academics had not begun to address, such as whether enhanced luminescence could assay the kind of hormones for which its RIA kits catered. The technology proved sound for every analyte Amersham tested.

Bill Hornby, Amersham's general manager for clinical products, testifies to the importance of this collaboration. It provided a bedrock of science to underpin the product development phase, he says.

"The lesson is, don't just grab a technology and run away," says John Maynard, Amersham's director responsible for new businesses. Research collaboration between university and company continued for two years after the licence agreement was signed in January 1983.

The next step – the concept stage – was to define a product. Amersham wanted to develop a complete engineering system, in contrast to the kits of reagents it had invented for RIA. The kits used instruments already available in hospital laboratories. Enhanced luminescence required new instrumentation.

Many firms have failed with immuno-assays, thinking the systems were simple once the research had been done, says Martin. But much of the innovation takes place in the product development phase (see above). "This is the stage that sorts out the professional from the less professional company," Martin believes.

Amersham embarked on a total analytical system. It chose Wilj International as its partner in developing the instrumentation. The basic objectives were a format convenient to prospective customers and versatile enough to span all analytes in the one system. It set a launch date in 1985.

The development was organised with a flexible team structure, says Maynard. The initial technology team expanded to 20, divided into the two broad areas of chemistry and instrumentation. The 20 were then used to "seed" new teams devoted to specific assays. Martin, for instance, headed the team specialising in thyroid products.

By 1985, when the product was launched as the Amerlite system, its R&D team had grown to 140. But the team was dispersed throughout Amersham's existing matrix management structure for product development. It had a co-ordinator of Amerlite R&D "to see that no bits were missing"; a task that fell to Ed Lorch as venture manager. At its peak Lorch's R&D team reached 170.

Amersham's strong culture as a science-based company was the key to the project's success, says Maynard. But its willingness to seek outside help with parts of the development programme, and to interact strongly with its collaborators, was important, he believes. Also, although the project was dispersed, accountability stayed in one place.

The heart of the Amerlite system is a luminometer, which measures the light signal. It was a joint development by Amersham and Wilj. The system also has a workstation at which samples are prepared, an incubator which shakes samples for up to 60 minutes and an automatic washer for samples.

Martin recalls that early attempts to get a light-tight luminometer led the team to work under a cover reminiscent of old-fashioned photography, with a set-up they dubbed "the paper-bag machine."

An early decision was to adopt micro-titre wells – like miniature test-tubes – in which to perform the chemistry, as a system becoming familiar to medical laboratories. They specified that the luminometer must read 96 wells of luminescence in two minutes, with no "cross-talk" between the wells. They admit that they underestimated the amount of innovation necessary to refine the wells for the luminometer, for example to standardise the background whiteness of the well. Wells had to be opaque, highly reflective, stable for a year and precision-made.

Hornby estimates that about 1,000 man-years of R&D already lie behind Amerlite, launched with six assays in 1985 and since expanded to 25, including rubella, hepatitis and infertility. A batch of 96 samples is analysed in two minutes – compared with two hours for an RIA kit.

Another 14 assays are under development. Hornby believes the inventory may reach as many as 50. As soon as he completes development of an assay – normally about two years – he starts the development of a new one.

The second thrust of the Amerlite development programme is to refine the instrumentation. The current system costs around £20,000 if bought outright, although it is often leased. Hornby believes its four units will be reduced to two next year, and then to a single automated instrument before the mid-1990s. "There's a very strong technology here that has a lot of life in it yet."

Serve yourself at the supermarket

THERE are few things more frustrating than waiting in the supermarket checkout queue behind customers with trolleys full of food when you have only a couple of items.

To help speed up the process, Nixdorf Computer, of Paderborn, in West Germany, has developed a self-service scanning system so that customers with just a few items can feed the prices into the computer themselves, and then hurry to the checkout to pay their bill.

The manufacturers believe the system will be particularly attractive to supermarkets which have difficulty in recruiting staff. It could enable some shops to stay open longer, even up to 24 hours a day.

The Scan Tower is similar to those checkout systems already used in supermarkets. When a customer arrives at the check-out he or she passes goods from the trolley along the glass plate scanner fitted into the counter top. The description and price of the goods appear on a monitor and then the item is placed into a second trolley which sits on a set of scales.

The computer automatically weighs each item as it is scanned to ensure that the total weight of goods tallies with the weight in the trolley.

The first Scan Tower system will be installed in Spain this month.

Better mileage from fewer wires

TODAY'S saloon cars contain nearly a mile of wiring, carrying both the electrical power and the signals which instruct, for example, the windscreen wipers to leap into action or the indicators to flicker.

The wiring is both heavy and takes up space, so automotive and electronics manufacturers have been working on ways of sending as many electrical signals down one strand of wire as possible.

Siemens Automotive Systems, of Regensburg in West Germany, has developed a vehicle wiring system which could cut the amount of cables by half. It uses digital technology developed in the computer industry to send a number of signals sequentially down a single wire.

When the driver presses a button or switch, the signal is converted into a digital format and sent along the wire to the appropriate piece of equipment – the sidelights, for example. The Siemens system can replace 80 conventional wires with just four.

● Another space saving device, which also improves the flow of the exhaust gases out of the car, has been designed by VBF Bulzen, of Oosterhout, in the Netherlands. Instead of the pipes from the cylinders joining in a V-shape, where the exhaust gases from each pipe collide, the gases are steered down a pipe which is partitioned down the centre. This provides a smoother flow of gases. The system is engineered as two D-shaped pipes and then welded together.

Concrete for lightweights

CONCRETE which floats on water may seem as likely as pigs that fly. But 3M, of St Paul, Minnesota, has developed a type of lightweight ceramic bead which can be used instead of conventional concrete aggregates, thereby reducing the weight of concrete to less than that of water.

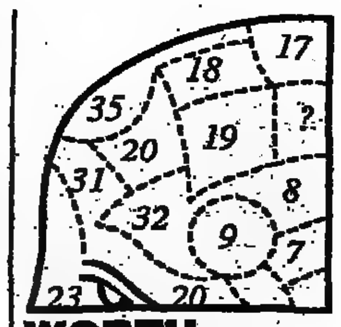
The developers claim that the spheres not only result in a much lighter material – as little as 40lb per square foot, compared with 100lb per square foot for today's lightest concrete – but one that is as strong as its heavier counterparts. In addition, 3M says the resulting concrete is a good sound and heat insulator.

The dark grey Macrolite beads, which can be anything from 0.3mm to 12.7mm across, contain tiny air cells surrounded by a tough outer shell which is impermeable to fluids. The beads also resist very high temperatures.

The company believes the new type of concrete could be used for boats or floating constructions, as well as for traditional building applications.

Disk drives come clean

AS more companies install PCs and workstations on the factory floor they are beginning to realise that dirty conditions can curtail the lifespan of the sophisticated technology. Now several computer companies have devised solutions to the problem.



WORTH WATCHING

by Della Bradshaw

Californian manufacturers Sun Microsystems and Genisco Technology Corporation (GTC), which specialises in rugged systems, have joined forces to make an extra-tough version of Sun's Spark workstations for use in manufacturing applications. The Machine Manager system, as it will be called, will be on sale from this month.

For those with IBM PCs, Inmac, the international computer accessories company, is selling cabling which enables companies to leave the monitor and keyboard on the shop floor while housing the central processor unit and the sensitive disk drives up to 100 feet away in an office or clean room.

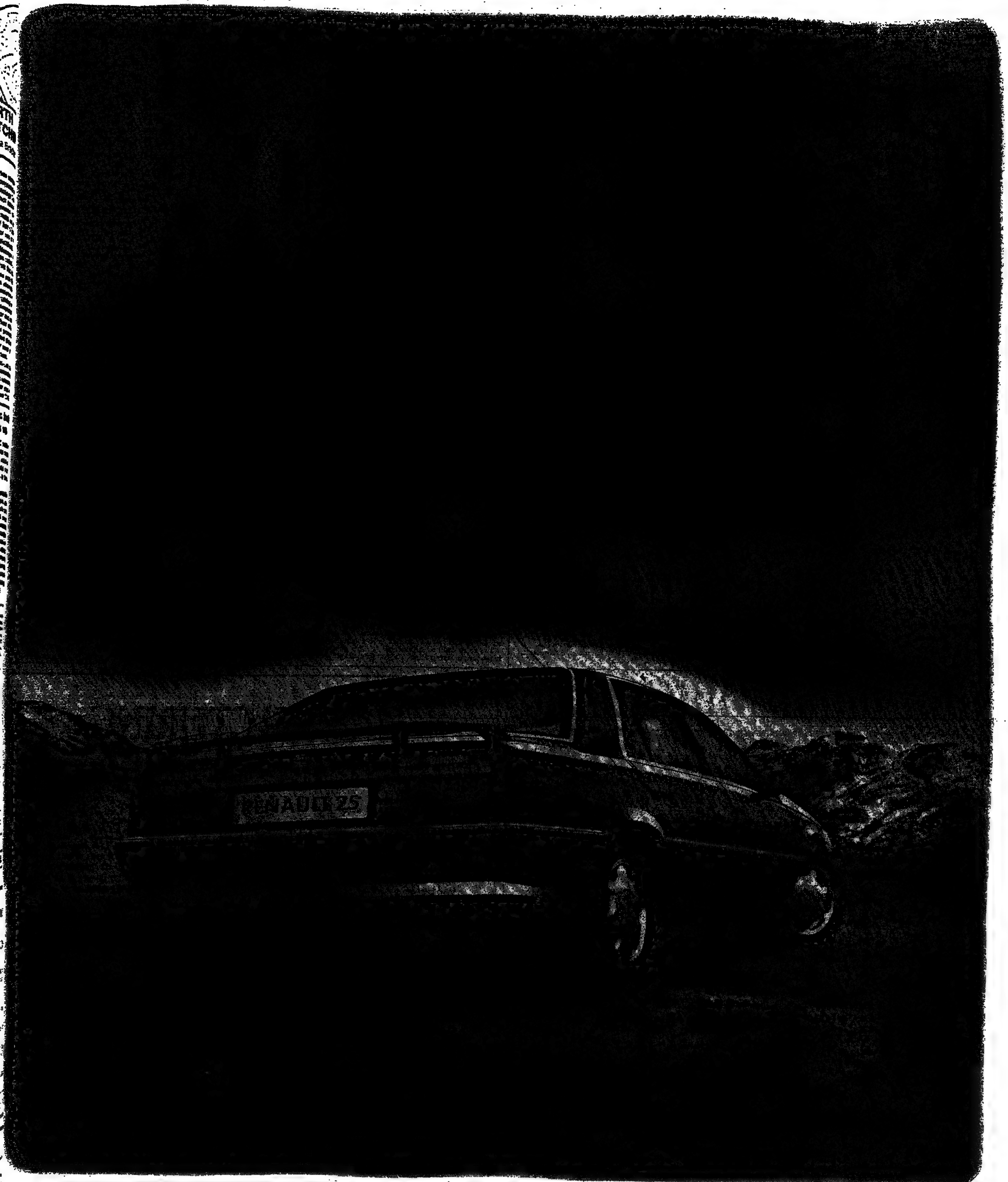
The Maxi-Link comprises a cable, connectors and a booster to ensure that their is no power loss in the signal. It costs from £145.

Plastic bottle drinks up

A PLASTIC bottle which disintegrates into carbon dioxide and water when exposed to the elements is soon to find its way on to the supermarket shelves.

The degradable plastic, called Biopol, has now been commercially launched by ICI and will be used by Wella in West Germany to package its latest shampoos. Biopol is made from the fermentation of sugars. Although the plastic is destroyed by fungi and bacteria, the manufacturers claim it is as tough as conventional thermoplastics in normal use.

Contacts: Nixdorf: West Germany, 525 1160. Siemens: West Germany, 941 4007341. VBF Bulzen: Netherlands, 1620 82000. 3M: US, 0101 612 733 5873. Sun: US, 415 960 1300. GTC: US, 714 523 7801. Inmac: US, 408 737 3700; UK, 0344 860606. ICI: UK, 01 834 4444.



a few will make a departure.

Conventional wisdom says you can't have a high performance luxury car below the 2 litre "break-point".

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At the touch of a button performance and economy modes let you decide just how fast or frugal you make your departure.

But if you think this is just a fast car stop right there.

Bosch ABS anti-lock brakes are fitted as standard (stopping you faster and safer). While Anti-plunge prevents the car from diving under hard braking (reducing stress on the car and the driver).

And the cost of all this technology? Only £16,995*. After all nobody ever made a fortune by spending one.

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FT LAW REPORTS

Pension surplus can go to employers

DAVIS AND ANOTHER v RICHARDS & WALLINGTON INDUSTRIES LTD AND OTHERS
Chancery Division: Mr Justice Scott: March 2 1990

SURPLUS funds in a terminated occupational pension scheme are held on resulting trust for the contributor, in the absence of expressed or implied contrary intention. Accordingly, where employers' obligations were to top up employees' contractually fixed contributions to the extent necessary to maintain benefits, surplus derived from employers' overpayments is returnable to them if there was no intention to exclude resulting trust. Surplus derived from employees' contributions is not returnable to employees if impracticability or legislative requirements indicate an intention to exclude resulting trust; and surplus derived from funds transferred from other schemes goes to the Crown as *bona vacantia* if circumstances and documentation show an intention to exclude claims by contributors.

Mr Justice Scott so stated, having held that a definitive trust deed and the rules of a pension scheme for employees of Richards & Wallington Industries Ltd (Industries) and associated companies were valid, and that the trustees had power under the rules to pay surplus to contributing employers on termination of the scheme.

HIS Lordship said that Industries was the parent of a group of 50 plant hire companies.

In 1975 a contributory pension scheme for group employees was instituted by interim trust deed. By clause 5a the associated companies were to execute a definitive trust deed, and rules were to be made by Industries with their approval.

Industries acquired other companies. Their pension funds were transferred to the trustees of the scheme.

In 1980 the group ran into trading difficulties. On July 1 1981 receivers and managers of Industries and a number of subsidiaries were appointed.

The scheme was formally terminated as from August 1 1982. On August 6 a definitive trust deed purporting to bring rules into effect was executed.

The rules dealt with the consequences of termination. They empowered the trustees to increase pension benefits out of surplus, if any, and authorised them to repay any balance of surplus to employers who had contributed to the scheme.

It was estimated there would be £3m surplus. The trustees sought the assistance of the court as to how it should be dealt with. The first question was whether the definitive deed was valid.

On the true construction of the interim trust deed and in the events which happened, execution of the definitive deed on August 6 1982 was effective.

If, contrary to the court's opinion, the definitive deed was not valid the second question was whether the court could execute an executory trust and bring suitable rules into effect. The executory trust in clause 5a of the interim trust deed could not be executed by the court unless the proposed rules were approved by the subsidiary companies. On the evidence the rules were made with their approval. Had it been necessary the court would have executed the executory trust by ordering that rules corresponding to those scheduled to the deed be brought into effect. The court could not have dispensed with the approval.

The third question was whether surplus devolved by way of resulting trust. It only arose if the definitive deed was ineffective and its inefficacy could not be remedied by execution of the executory trust.

Mr Charles for the Crown, arguing for *bona vacantia*, suggested that pension rights were contractual rather than equitable.

The contractual origin of rights under a pension scheme, though relevant to the question whether a resulting trust applied to surplus, was not conclusive. In *Jones v Williams, unreported March 15 1988*, Mr Justice Knox said that where a trust deed was silent as to the destination of surplus "the law will supply a resulting trust in favour of the provider of the funds."

The court agreed, with the qualification that the provision in a trust deed need not be express. A resulting trust could be excluded by express provision or by implication. If a contributor intended that a resulting trust should not apply, it would not be right for the law to contradict that intention.

The present fund was fed from employees' contributions, transfers from other pension schemes, and employers' contributions. It was logical to treat the scheme as funded first by employees' contributions and transferred funds, and only secondarily by employers' contributions; and correspondingly to treat surplus as provided first by employers' contributions, and only secondarily by employees' contributions and transferred funds.

It was possible, though unlikely, that employees' contributions and transferred funds would have been sufficient to provide benefits in full and have left surplus. That surplus should be regarded as derived from employees' contributions and transferred funds. The balance should be regarded as derived from employers' contributions.

The likely situation was that contribution was required from employers. In that event the whole surplus should be regarded as derived from employers' contributions.

That conclusion accorded with logic and equity.

The actuarial calculations on which employers' contributions were based were themselves based on assumptions. Termination of the scheme invalidated the assumptions. The employers had made payments exceeding the amount necessary to discharge their obligation to fund the benefits.

There was a well-established equity that enabled accounts drawn up under mistake to be reopened. Here there was no mistake when contributions were assessed and paid. But subsequent events having invalidated some of the assumptions underlying the calculations, the case was strongly analogous to that of an account drawn up under a mistake. Equity should treat the employers as entitled to claim surplus, or so much of it as was derived from overpayments.

On the other hand, circumstances pointed to the exclusion of resulting trust in favour of employees. Employees contributed in return for specific benefits. The value of those benefits would be different for each employee, depending on how long he served, and how old he was when he joined and when he left. A resulting trust could not work as between employees *inter se*. Equity should not impute to employees an intention that would lead to an unworkable result. The scheme was established to take advantage of tax and social security legislation relevant to an exempt approved scheme and a contracted out scheme. The legislative requirements placed a maximum on the financial return to which each employee would become entitled. They prevented imputing to employees an intention that surplus should be returned to them.

There was therefore no resulting trust for employees.

Finally, there were the transferred funds. The intention appeared sufficiently from the documents by which the transfers were effected, and from surrounding circumstances, that the trustees of the transferred schemes divested themselves once and for all of the transferred funds.

For the reasons already given there could be no resulting trust in the employees' favour. So far as the employers were concerned, they were not all in the same position *vis-a-vis* the transferred funds. Some of the schemes expressly excluded any refund to employers. As to the others, it was possible to regard the transferred funds as subject to some contingent resulting trust in favour of employers, but it would be virtually impossible now to identify surplus.

It was reasonable in the circumstances to regard contributors to transferred funds as intending that they should vest in the scheme trustees to the entire exclusion of any claim under the transferor scheme. Again, equity should not impute to the parties an impracticable and unworkable intention. Accordingly any part of the surplus derived from employees' contributions or transferred funds devolved as *bona vacantia*.

Subject thereto the surplus was held on trust for the employer contributors.

For the scheme trustees: Sir William Goodhart QC (Wragge & Co)
For Industries and a subsidiary: Nigel Inglis-Jones QC and John Stephens (Clifford Chance)
For the trustees of the transferred assets: James Dennison (Theodore Goddard)
For the employees: Timothy Lloyd QC and Elizabeth Ovey (Martineau Johnson)
For the Crown: Arthur Charles (Treasury Solicitor)

Rachel Davies
Barrister

Surrealist totems in twisted metal

William Packer on two contemporary sculpture exhibitions in London

With the Venice Biennale coming round again at the end of this month, at which Britain is to be represented by the Anglo-Indian sculptor, Anish Kapoor, it is a nice coincidence that a new exhibition should recall the Biennale of 1988, at which another young sculptor, similarly London-based and expatriate, distinguished himself – albeit in the pavilion of his native country, Israel. Zadok Ben-David now fills the Benjamin Rhodes Gallery (4 New Burlington Place W1: until June 2) with his latest work, one large tableau and several simpler totems.

He occupies that ambiguous area between symbolism and surrealism, using cut-out figures and silhouettes as much to people his peculiar graphic theatre as to assert any sort of formal sculptural presence. The largest work here, "The Logic of the Miracle," celebrates both aspects, a huge terra-cotta coloured cylinder, with a conical hat and a tube in its side, stands in the corner of the gallery like a monstrous old-fashioned magic lantern, projecting two long metal rays across each other across the gallery, trapping the silhouette of a running man between them, large and the right way up at a distance, tiny and inverted close to.

It is an odd, awkward, and theatrical piece, impressive enough in itself but more literary, perhaps, than truly sculptural. The three totems downstairs, by contrast, are manifestly sculptural and dramatically successful as such. They could hardly be simpler, flat configurations of twisted wrought iron, each set into its solid plinth and presented to propose to the imagination a three-dimensional image of quite extraordinary activity.

Neil Jeffries, whose new work is at Flowers East (199 Richmond Road E8: until May 27) is a sculptor of less apparent ambiguity but no less intriguing. He too is a surrealist, his work theatrical in its way and figurative, though more obviously so and with no symbolic undertow. He works in relief, usually on a small scale, making complex tableaux in sheet metal, cut, folded, rivetted and then painted. The image is the human figure, young, male, more or less nude, which he presents in any number of intimate occasions, most of them rather rude but, by some natural charm and wit, entirely inoffensive.

In this latest work, Jeffries makes greater formal play with his subject, slicing, separating and abstracting the elements, simplifying and generalising the space his figures occupy. The handling of the material is deceptively casual, as though just pinched and squeezed into approximate shape to serve the purpose. In fact Jeffries is a fine craftsman with a wonderful formal vocabulary at his command, and the wit to exploit it. Charm is always a bonus. Funny as it is, the work grows funnier and more intriguing under scrutiny, not so much for its simple imagery as for what it is and the way it is done. True wit, as ever, lies in the language.

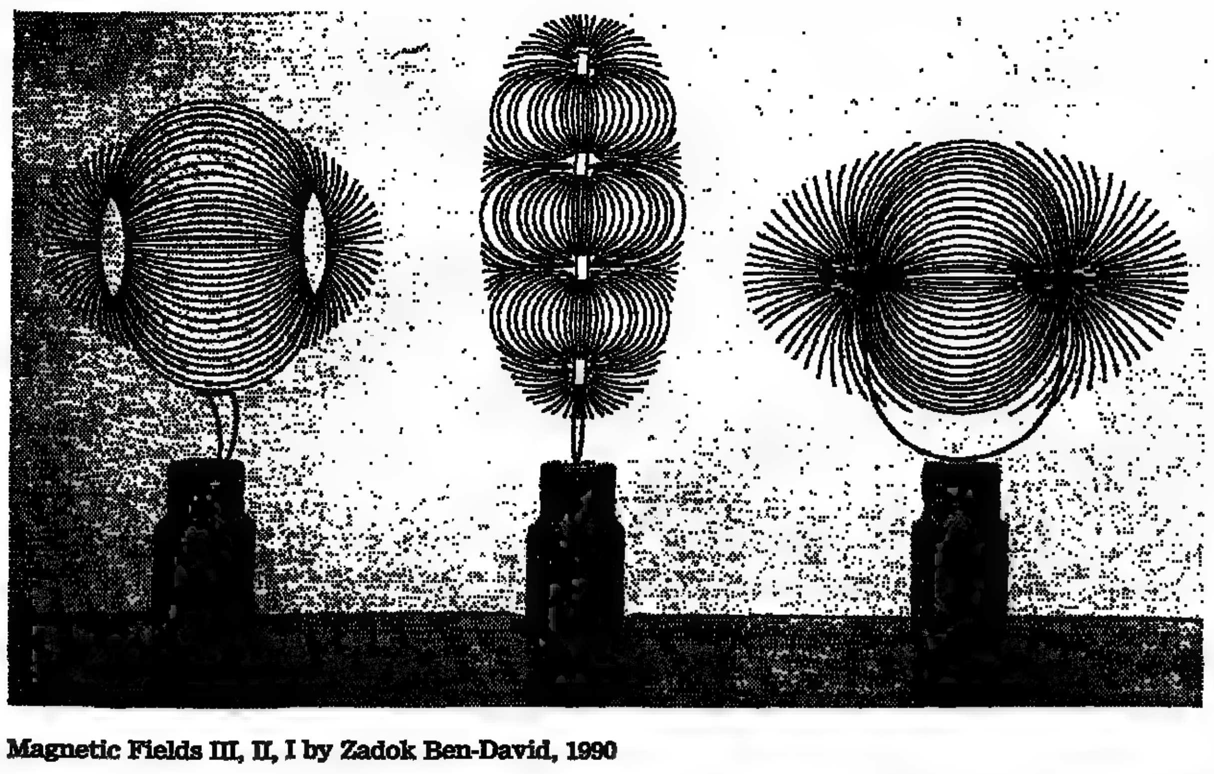
★

This is a sad moment for the British art world. Peter Fuller, my opposite number on the *Sunday Telegraph*, was killed on the M4 last Saturday in a crash his wife and their young son survived. He was 42. We had known each other for some 20 years and even been colleagues for a while on the now defunct magazine, *Art & Artists*, Peter just down from Cambridge. Our paths continued to cross down the years and although I cannot say he was a close friend, his was always a serious critical voice, to be heard out with a real if sometimes infuriated respect.

Ever the controversialist, riding his polemic of the moment with gleeful enthusiasm, he was not always inclined to recognise the closeness of his position to others nor even that they might be travelling in the same direction. On occasion he would even change direction himself with an alarming suddenness, or even horses, come to that. But consistent as he was in his inconsistency, he was always sincere in his commitment of the moment, whether, as it once was, to Marx, Psychoanalysis and the critical credo of John Berger, or, as latterly, to Ruskin, Spirituality of Content and the figure painters of the School of London.

That he made professional enemies so readily was a function of his commitment. Even so, he positively cherished his vendettas, polishing them regularly, still hard at it in his last published column. "I wonder why X won't speak to me," he would say, grinning broadly: "it must be something I've said." He was like this, I realise now, not out of any deep malevolence but out of an irresistible mischief in his soul to provoke and stimulate, to make a stir. Well, he certainly stirred up art criticism enough to make it newsworthy beyond its own narrow world, and himself a celebrity in his own sort.

However, his editorship of *Modern Painters*, the quarterly art magazine he founded two years ago to defend and celebrate the true Ruskinian virtues against the snares and delusions of modernism, had given him the opportunity to address a broader scope, and it seemed he was at last developing the true editor's faculty for critical detachment, less the constant protagonist himself, more the active ring-master. His magazine, more even than his many books and copious published criticism, is his achievement and memorial.



Magnetic Fields III, II, I by Zadok Ben-David, 1990

The Life of Galileo

CONTACT THEATRE, MANCHESTER

The individual and society, authority and conscience, knowledge and power – ingredients for a heady cocktail, not to say a terrorist bomb. Bridget Larmour launches her régime as Artistic Director of Manchester's Contact Theatre, hosted by the university complex off Oxford Road, with a boldly ambitious crack at Brecht's socio-political epic. Surprisingly in this intimate space, the broad strokes come off best: notably a carnival, red lights sending rays upwards from beneath the stage, masked figures scurrying and bustling to the glow of paper lanterns: the cast of 12 (11 actors, one musician), luxuriously large for most theatres these days, fully deployed.

Where the production sags is at the centre. Charles Laughton played Galileo in America and his blend of coarse sensuality and vulnerable, visionary sensitivity would have been ideal. Jospeh Mydell, a great success here in +Master Harold and the Boys+, is a careful and dignified Galileo of restricted emotional range. At his most unbuttoned he is merely casual; at his most committed he is cold. It comes as a shock to realise that he is meant to be sleeping with his housekeeper (the sturdy Christine Absalom). "He celebrates physical pleasures more than any man I've ever met," says Cardinal Barberini, sounding no more convinced than I was at the spectacle of this primly restrained pedant.

A shame; since here is the physicist and astronomer that set the world – literally – spinning. And here are arguments about the danger to humanity of unlimited scientific research that are as frighteningly relevant now as half a century ago. The reading is without intensity or passion. Perhaps Mr Mydell's faintly New World tone as he spoke of "noo problems, noo strategies" could have been accentuated; then we might have had more of an impression of an interloper, an iconoclast taking old assumptions by the ears.

As it is, we lose not only a sense of the scientist's greatness but also the human being's frailty. The stubborn sacrifice of his daughter's happiness in the cause of principle is registered only in the excellent playing of Rachel Spry, who has little to strike sparks off. Otherwise there are promising moments played out against Kendra Ullyart's design – a slanted round platform encircled by a tilting ramp, its wooden panels perhaps more northern in mood than Venetian or Florentine. Chris Monks' song-settings are just right – declamatory, tuneful, a hint of period archaism – and put over with neat musicality by the cast. Peter Nicholas' friendly Cardinal Bellarmin and Renny Krupinski's Inquisitor, sweeping menacingly across the stage, his skirts held high like an embattled galleon in full sail, are striking. Poor Simeon Defoe has to play an 11-year-old (real Brechtian alienation here) who grows to radical young manhood, and doesn't avoid the trap of sounding like Dave Spart. Ms Spry's sweetly loyal Virginia is a find, able to play the violin (like Mr Nicholas) in the interludes and summon up a raucous ballad-style for the satirical carnival scene. She comes to Manchester after stints in Perth and Crewe; a heartening reminder that British provincial theatre is healthy, creative and fighting back.

Martin Hoyle

Patmos

DEUTSCHES MUSEUM, MUNICH

The "Münchener Biennale" is Hans Werner Henze's splendid showcase for other, younger theatre-composers, sponsored generously by the city of Munich and Spielmotor München, and its second season began last week. (In 1988 the Turnage/Berkoff *Greek*, soon to be staged by the ENO, was the great success of the first one.) Its only equivalent would be the St. Louis festival of new operas, which probably plays safer.

The Biennale was certainly not playing safe when it decided to co-produce Wolfgang von Schweinitz's three-hours-plus "azione musicale," *Patmos*, with the Kassel Staatstheater. On Saturday the première had a stormy reception which was itself horribly fascinating: this foreign critic, for one, felt like a reluctant party to a painful family confrontation.

The composer Schweinitz, now 37, studied both in Hamburg and in America, and for a time with Ligeti. He wrote large orchestral pieces in the late 1970s, and then an intimate song-cycle of nerve-end refinement, his op. 20 *Papiersterne*. From 1981 to '83 he worked at his *Messe* op. 21, a large-scale setting of the canonical Mass which omits just one line from the Credo: "Et unam sanctam catholicam et apostolicam Ecclesiam" – "(I believe in) one holy, catholic and apostolic Church." It is at once a highly organised musical edifice and an anguished, dramatic re-examination of what the text professes, composed by someone who sees a modern Apocalypse over all our shoulders. (There is an impressive CD recording, Wergo 60504-50.)

After drawing breath in four smaller works, Schweinitz spent 1985-89 on *Patmos*, his op. 28. Naturally enough; for it is a rendition of the entire Book of Revelations according to St. John (set in Luther's translation, as in this performance, but also in the King James version), and "adjusted" by David Sattler for theatrical delivery. The role of Johannes is doubled by tenor and baritone; other passages go to an "Angelus antiquus" and "Angelus novis" (soprano and contralto) and "X" (Christ) with other soloists, two female trios, a male quartet and choruses of women and children, and room is specifically made for dance-episodes too.

The whole conception presupposes *some* form of stage-representation, unlike Schweinitz's *Messe*, but it prescribes nothing in particular. The apocalyptic text, lucidly set (the orchestra is forceful but chamber-sized), is meant to speak for itself; what's required is simply that the visible "azione" should embody its sense with the maximum *Affekt*. This is where the producer Ruth Berghaus comes in. At première-end the final bows by composer and performers were fervently applauded; but when Miss Berghaus appeared there was a sustained, virulent outbreak of booing. I may have been mistaken in thinking that it came from particular parts of the hall, and that most of the angry Bavarian voices were young ones.

The aim of the Berghaus version revealed itself only little by little. It was enacted in Hans Dieter Schaal's re-dressing of the large Kongress-Saal in the Deutsches Museum. The central portion of the audience was accommodated on bleachers (agonisingly uncomfortable) in the middle of the hall, itself divided by the raw remains of a concrete Wall at either side, and overlooked by a modern watch-tower at the right; the stage itself, with a slot for the orchestra at the rear, featured a dozen low, symmetrical pits, like hygienic baths in some 19th-century institution – or Hockney's asylum for the Glyndebourne *Rake's Progress*.

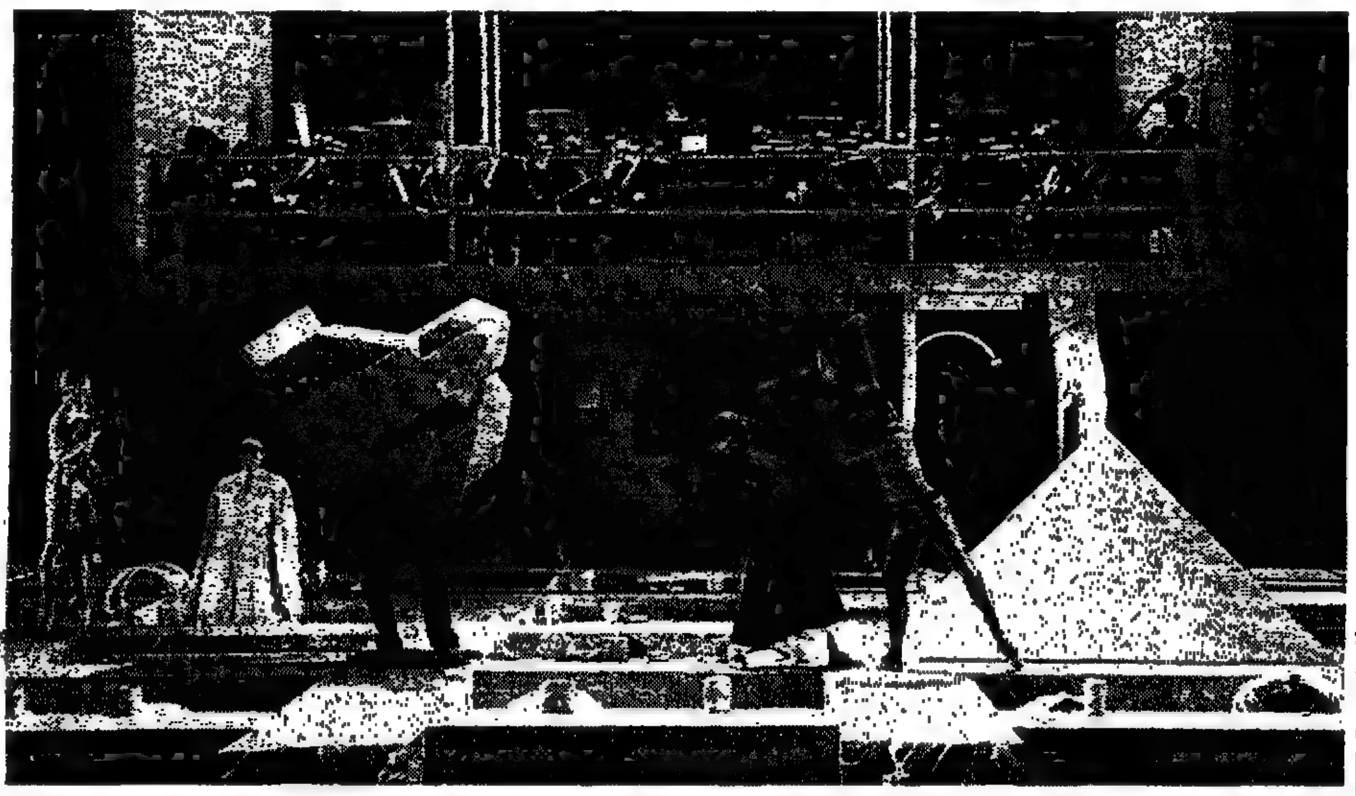
The disasters in the first half of the Revelations were enunciated by the soloists in leathery black-and-white, all but the Johannes-pair in militant style – even the valkyrie-esque Angels. Only the dancers (the Wife, the Lamb of God, the Dragon) were in lurid Lurex hues, and the anxious chorus of women who stepped in and out of the pools mimed plain, simple housewives. For the second half, when everybody appeared in black blindfolds, one pool acquired a swim-bath ladder and another a shower-pipe.

Once the children had come on blindfolded to cope with soup-canisters and to dig dutifully with spades, the shower-head spewed out a white gas and they subsided, each still gripping a dead hand. At the end – the erection of the New Jerusalem, which for Schweinitz is a "falsche Utopie" – the triumphant adult choristers adorned the pretty creatures with prefabricated haloes and pious satisfaction. They were nevertheless quite dead, though the music had developed from broad rhetorical paragraphs into sardonic neo-Baroque or even neo-Renaissance formal numbers, ever more consonant and comfortably reassuring.

I thought that Berghaus judged the drift of the work precisely, but also that her teeming stage-details – intended, in the "epic theatre" style, not to illustrate the score but to match it in parallel – were often too potent a distraction from the toughly concise music. Schweinitz has achieved remarkable things here: not only translucent and tellingly original harmony within a serialist idiom, but memorably singable lines, rare indeed these days.

That much was rendered vital by the heroic Johannes-pair, Guy Renard and William Oberholtzer, and by Lona Culmer-Schellbach and Regina Manel as the dauntless Angels. Though the conductor Adam Fischer's intentions were sound, his overtaxed Kassel strings were blotchy – especially in rhythmic attack. It *may* have been that the booers were baffled and enraged by what struck them as pretentious opacity; but one guessed that they understood all too well what Berghaus, at least, was on about.

David Murray



Scene from 'Patmos,' Wolfgang von Schweinitz' new work based on the Book of Revelations

Maria Magdalena

THE GATE THEATRE CLUB

Written in 1844 and drenched in the German Romanticism of that era, Fridrich Hebbel's +Maria Magdalena+, which now is reaching the British stage for the first time, is impressively modern in several ways. It's a domestic drama about a devoted daughter rejected by the man she loves, made pregnant by the fiance she doesn't love, and obliged to personal misery by her father's sense of family humiliation. It is also full of melodrama, but it keeps showing how futile and misplaced those melodramatics are.

Malcolm Edwards, who has directed and designed this Gate production, has updated it to the recent American South. He has also adapted Sarah Somekh's translation to this end. But a plot that involves deaths by shock, by duel and by suicide proves hard to take when the heroine begins in a pony tail and her father ends in dungarees. I found myself transferring it, even as I watched, back to the Germany of Hebbel's day. The play's language – sometimes left very 19th-century, as in "Unfortunate girl, at last I understand you" – is often intensely Romantic. Single speeches contain as much significant imagery and metaphor – the gold buckle on one man's belt, the tear in another man's eye, the moon drowned in clouds, the candle on the table, bread in the cupboard, a mole in the ground – as a whole Schubert song-cycle.

The same period flavour is true of parts of the plot. This staging zips so speedily through the sudden accumulation of family disasters near the end of the first scene that they became ludicrous. Anton (Robert Jezek), mere seconds after his wife's collapse, stops people fetching the doctor by shouting, mere inches from her face, "There's no need to! That's the look of death!" Moments later, he is forcing his daughter Klara to swear a solemn oath on her dead mother's hand. Anton, a largely hateful character driven by self-righteousness, self-pity and self-dramatising may well be the hardest role of all; and Jezek, stressing his booming insensitivity, at this point tipped the play into *Maria Marten* terrain.

To some of Friday's audience, guffawing loudly to show their sophistication, it never recovered. One character's last words were "will I never have another drink in this world?," a perilous line to speak in a pub theatre after some hundred minutes with no interval. The play's truly modern elements were in fact submerged by this modern setting.

The cast had been well coached by Jeff Crockett into their American accents. But the play was held back by too many other incidental features. Jezek is too young for Anton and his force too externally applied; Laura Eddy, rightly showing how Klara is a victim of her inconsiderate family, underplays her martyrdom. Marie Stillin, Robert Bowman and Ciaran McIntyre made much of other roles. This is a play I hope to re-encounter in other conditions.

Alastair Macaulay

ARTS GUIDE

April 27-May 3

OPERA AND BALLET

London

Royal Opera, Covent Garden: *La Cenerentola*, in Michael Hampe's staging (borrowed from the Salzburg Festival), is the latest London vehicle for Agnes Baltsa. The conductor is Carlo Rizzi (240 1066).

English National Opera, Coliseum: The return of *The Marriage of Figaro*, in Jonathan Miller's much-revived production. The conductor is Michael Lloyd. *Ariadne* is graced by the formidable sopranos of Anne Evans (Ariadne) and Rita Cullis (Composer); further performances also of David Pountney's startling, and on the whole, very impressive new production of *Verdi's Macbeth* (836 3161).

Paris

Bastille Opera. The newly inaugurated controversial opera house presents Janacek's mystical *Katia Kabanova* in which sensuous love is followed by remorse and guilt and a final tragedy (40011616).

Paris Opera. *Swan Lake* in Nureyev's choreography after Petipa and Ivanov with the Paris Opera Orchestra conducted by David Colemann and Michel Queval (47425371).

Théâtre de la Ville. Carolyn Carlson's *Light* is followed by the Swedish ballet *Cullberg* with Mats Ek presenting *Comme Antigone* and *Vieux Enfants* (42742277).

Opéra Comique. Jeune Ballet de France presents *Et Si Tu N'etais Pas La*. A solo performance in Bruni Agadi's choreography (42866883).

Milan

Teatro alla Scala. The ghost of Callas has finally been laid to rest with an excellent rendering of *La Traviata* conducted by Riccardo Muti. Also *A Midsummer Night's Dream* danced by the Scala Ballet Company with Robert de Warren's choreography and sets and costumes by Nadine Baylis (80.91.26).

Rome

Teatro dell'Opera. A lavish revival of Mauro Bolognini's 1986 production of Franz Lehar's *Merry Widow* done for the San Carlo in Naples, with new sets by Umberto Bertacca and splendid costumes by Umberto Tirelli, conducted at the right (fast) speed by Daniel Oren. (46.17.55)

Florence

Teatro Comunale. The 53rd Maggio Musicale opens with Pier Luigi Pizzi's production of Rimsky Korsakov's *Legend of the Invisible City of Kitezh* sung in Russian, with Italian surtitles, conducted by Myung-Whun Chung (2779236).

Parma

Teatro Regio. Massenet's *Werther* conducted by Gabriel Chmura (795678).

Madrid

International Dance Gala. Part of Madrid's 2nd of May festival. A selection of international stars and companies in a mixed programme, featuring, among others, Maya Plisetskaya, Ballet del Teatro Lirico Nacional, Emma Maleras, Ballet de Espana de Paco Romero and Lydia Azzopardi (Sun, Mon). TeatroAlbeniz (522 02 00).

Berlin

Opera. Janacek's *Die Sache Makropulos* has fine interpretations by Karan Armstrong in the title role. *Die Zauberflöte* is sung by Elfie Hobrath, Lucy Peacock and Christian Boesch. A Stravinsky ballet evening has choreography by Maurice Béjart/George Balanchine. *Aida* features Olivia Stapp, Bruna Baglioni, Giorgio Lambert and Ingvar Wixell. *Tosca* with Pilar Lorengar and John Sandor rounds off the week.

Hamburg

Opera. *Romeo and Juliet* has John Neumeier choreography. *Fidelio* is conducted by Nikolaus Harnoncourt. Further performances of the successful *Fausts Verdammnis*, sung in French. *Arabella* is expertly conducted by Heinrich Hollreiser.

Cologne

Opera. *Die Walküre* is part of the new *Ring* cycle in a co-production with the Düsseldorf Opera, produced by Kurt Horres. Also in repertory: *Faust* with Josef Protschka in the title role and *Manon Lescaut* with Barbara Daniels.

Bonn

Opera. Jean Claude Riber's new *Ring* cycle opens with *Das Rheingold* and will be conducted by Bonn's musical director Dennis Russell Davies. Further offered a Bernd Weikl Lieder recital and *Der Barbier von Sevilla*.

Munich

Opera. Guest appearance of the Lausanne Béjart ballet company. *Turandot* in Jean Pierre-Ponnelle's production has a first-rate cast led by Ghena Dimitrova, Keiko Kamegawa, Lando Bartolini and Laszlo Polgar.

New York

Metropolitan Opera. Julius Rudel conducts John Cox's production of *Il Barbiere di Siviglia*, with Kathleen Battle and Samuel Ramey. The season concludes with the third *Ring* Cycle conducted by James Levine in Otto Schenk's production. Opera House at Lincoln Center (362 6000).

New York City Ballet. With a repertory still heavily steeped in Balanchine, the company features a festival of Jerome Robbins's ballets in the middle of a season that lasts till July 1. New York State Opera House, Lincoln Center (870 5570).

Paul Taylor Dance Company. A month of mixed repertory from this classic and popular modern company. Ends May 13. City Center (246 0102).

Tokyo

Susanne Linke. Solo performance by leading German dancer on Tues. Spiral Hall (405 5659).

Matsuyama Ballet Company with Yoko Morishita perform *Swan Lake*. Bunkamura, Orchard Hall on Thur (408 6640).

Mirella Freni

FESTIVAL HALL

The hall was full and the welcome both warm and, in all honesty, a touch hysterical for a much-loved soprano who made her debut an unbelievable 35 years ago. The warmth was in every way deserved: Freni was in superb voice and looked and sounded if anything younger than the years she has been in the profession.

Indeed, the youthful freshness of her soprano is astounding, so even, so velvety, so effortlessly full in the lower register without any recourse to "chesty" forcing. The top is as secure as ever, capable of both a melting *piano* above the stave and an excitingly vibrant, absolutely authentic *spinto* "ping." Both the seamlessness of her legato and the ideally clear projection of the Italian language easily contained within it put one in mind of her fellow Modenese Luciano Pavarotti: if this is a school, then one can think of any number of singers one wishes had enrolled in it at an early stage. Such longevity amongst singers is rare indeed nowadays, and whatever the secrets are one can only pray that they will be passed on.

To the crabby-minded, the solos she sang with the Philharmonia under Giuseppe Sinopoli (the concert sponsored by the Banco Ambrosiano Veneto and Crediop Finance) might be thought short measure: "Vissi d'arte," the obvious two from *Manon Lescaut*, and "Tu che di gel sei cinta." But even in the context of a concert she brought highly individual touches to her singing: the overwhelming regret of "di pace e d'amor" at the end of "In quelle trine morbide," the panic and despair of Manon's death scene, the sense of a very personal conversation with God in Tosca's moment of truth. To silence the crabby, she gave "Un bel di" as an encore and through her instinctive understanding of the text brought Butterfly's narration to vivid life. A great artist!

Apart from heedlessly drowning Freni in "Sola, perduta, abbandonata" – and it was her we had come to hear, not him – Sinopoli's contributions included an insufferably mannered and brash account of the *Forza del destino* prelude, which he capped by conducting the overture to *Guillaume Tell* as though it were indifferent music, which it isn't. His treatment of Respighi's Fountains of Rome was, like the music itself, no better than it should be. The concert ended with The Pines of Rome which, my head ringing with Freni, a pressing subsequent engagement prevented me from staying to hear. Given the circumstances, the Philharmonia played well.

Rodney Milnes

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Rewards in the boardroom

Are top businessmen overpaid? The latest crop of UK company annual reports reveals large increases in remuneration for several chief executives. The increases relate to a period when profits were climbing sharply, but both the amounts – close to £1m, or even more, in some cases – and the percentage rises are unwelcome to Ministers who are urging wage restraint. They also raise questions about the rationale underlying executive rewards, and their disclosure, which companies, and especially non-executive directors and institutional investors, need to address.

Some of the pressure for higher pay comes from the internationalisation of business. Companies in Europe and North America are to a degree competing for the same pool of talent. Even though rewards paid to some American businessmen appear to have lost touch with reality, the US remains the pace-setter to which European executives aspire.

Another factor has been the move to supplement salaries with profit-related bonuses; the spectacular improvements in profits in recent years have produced commensurate gains in pay . These incentives are good in principle, but companies need to distinguish in their annual reports between salary and bonus and to explain the basis on which bonuses are awarded. The criteria commonly include both financial targets, such as return on capital, and specific goals for the chief executive. Some companies also offer longer-term performance bonuses, tied to the share price or, much better, to earnings per share over a 3-5 year period.

Guaranteed bonus

The targets must be demanding. Too often they are set so low that a large bonus is virtually guaranteed – hence the charge that senior managers earn an entrepreneur's reward for doing a bureaucrat's work. While an entrepreneur stands to lose everything if the business fails, most chief executives in large corporations enjoy a substantial degree of protection against bad times. Bonus plans, pension and stock option arrangements are sometimes adjusted so that the effects of a downturn in the business or the share price are cushioned. Some service contracts are far too long (if they are needed at all, two years should be sufficient), leading to excessive pay-offs when a failed executive leaves the company.

Wide discretion

The total amount paid to a chief executive should be high enough to be competitive and to provide sufficient "headroom" for a logical salary progression below the top job. But this leaves wide discretion in the hands of the board, or its remuneration committee. Fortune, the US magazine, commissioned a survey which compared "rational" pay levels (based on such factors as company size, profit performance and degree of risk) with the actual amounts paid to chief executives of leading companies. The size of the gap, amounting to several million dollars in some cases, showed that at least in those companies pay was was far higher than it needed to be.

There is no precise formula for arriving at the "right" figure, but a rational approach is possible. There is room for argument over whether the ratio between the chief executive's pay and that of the average employee should be 5 to 1, 20 to 1 or even higher, but boards of directors should be aware of what the ratio is and how it compares with similar companies.

One of the benefits of the Thatcher years is that successful businessmen can earn high rewards and arouse less resentment than in the past. But the suspicion remains that some of them have arranged a comfortable cocoon for themselves, in which rewards are generous and risk largely eliminated. Companies need to be able to show that this suspicion is unfounded. Indeed, at a time when non-hierarchical styles of management are gaining ground and distinctions between different categories of employee are being eroded, chief executives might consider aligning the structure of their pay and conditions more closely to the rest of their staff, so that risk and reward are more equitably shared.

The farm cartel saved again

THE ANNUAL marathon which is the EC's farm-price fixing ended last Friday after the customary all-night session. Both Mr Ray McSharry, EC Agriculture Commissioner and Mr John Gummer, Britain's Agriculture Minister, have since claimed that the settlement was a victory for probity. Farm spending would remain well within the guidelines set for it, while the agreement would, they said, send the right signals to the Community's partners in the final negotiations of the GATT's Uruguay Round.

At first sight, such a sanguine judgment seems perverse. As they did their sums over the weekend, UK farmers could hardly believe their luck, for the accord could give them price rises of up to 11 per cent, which the National Farmers Union reckons will put an extra £590m into their pockets.

The explanation for the apparent contradiction between the official claims for the package and the reality (at least for Britain's farmers) lies in the complexities of the common agricultural policy. The price package provides for a freeze in prices in ecu terms. But by a series of devices, mainly involving the special green rates which are used to translate ecu prices into national currencies, the impact on some member states is softened.

Tough package

As a weaker currency country, Britain comes off particularly well, since bigger than expected devaluations were agreed in several sectors. For other member states the package is much tougher: France abstained from voting for it because it failed to get the compensation it wanted, while Germany finally agreed because there was no revaluation of the green DM for cereals (and thus no fall in farmer prices) and because the blow of the price freeze is cushioned by speedier payment for some commodities.

But if Mr McSharry and the farm ministers can, in these terms, claim to have produced a broadly neutral package, judgment as to its longer term effect must be reserved. It could well send the wrong signals to farmers as they contemplate planting for next year. The EC's whole budget could be under severe strain again if big harvests in the EC and the US this year were to bring world prices down, thus sending export subsidies soaring again.

Remedy at hand

There is of course a remedy at hand in the GATT negotiations. Three and a half years have gone by with virtually no progress on farm reform in the Uruguay Round. The EC and the US remain far apart, with the US insisting that all trade distorting subsidies be eliminated and the EC maintaining that they are essential to its farm policies. To make matters worse, until very recently the two sides were lambasting each other in a public war of words which seemed to bode ill for any eventual agreement.

Today, there are a few welcome signs that this may be changing. Slowly, not yet very surely or very publicly, officials on both sides are beginning to talk of the possibility of compromise, most recently following last week's meeting in Washington between Mr McSharry and Mr Clayton Yeutter, the US Agriculture Secretary. The two sides have agreed that their senior officials will now meet regularly to thrash out a framework for the negotiations by the end of July, to make possible final agreement in December.

The problems are still huge. Only in plant and animal health, often used to impede trade, is there agreement on how to proceed. There is no such agreement on the reduction of trade-distorting domestic farm supports or on border protection, even though there is some talk now of the possibility of compromise in these areas. There is apparently no movement at all on what could prove the central obstacle to farm trade reform: reduction in the export subsidies that have done so much to distort trade.

It will take a great deal of ingenuity, perseverance and political will to solve these problems. But there is no other way of restoring sanity to a world where, the OECD reckons, agricultural subsidies are costing the OECD countries an annual $72bn in lost economic welfare.

There is no unequivocal consensus among Tories on the Prime Minister's future, reports **Philip Stephens**

Time of reckoning for Mrs Thatcher

It is 11pm in one of the elegant lobbies of the Palace of Westminster and a senior member of Mrs Margaret Thatcher's Government is reflecting on whether she can survive the next few months.

A few days later in one of the overpriced, mediocre, Westminster restaurants that serve as canteens for MPs and political journalists, another insider explains the mechanics of a putative coup against the Prime Minister.

The minister, weary after a day of political fire-fighting and facing the prospect of several hours more ploughing through the latest cluster of problems deposited by his civil servants in his overnight "red box", is cautious.

As gloomy backbench colleagues drift by towards the Commons taxi-rank, he responds: "I just don't know. I don't think she we will go. But you never know. What do you think?"

There is a note of frustration when he is pressed on how the Government, let alone Mrs Thatcher, can ride out the political storm over the poll tax. "She is such a difficult woman to help. If only she would go away for a few months we might be able to sort it out."

Then a more considered point: "After 11 years everything is geared to her, everyone second-guessing what she will say... Just at the time when she most needs advice, the whole (Whitehall) structure is operating in the other direction."

The conversation with the senior party figure in the restaurant has a different tone. The next few weeks would be awful but the worst should be over by the autumn. Then the Government would be into 1991, with the real hope of a steep fall in the inflation rate and – most important of all – a similar drop in mortgage rates.

The "froth" would come off Labour's 25-point lead in the opinion polls. The Conservatives would begin the fight-back to victory in a 1992 election. The Prime Minister, acutely aware of her own place in the history books, would stick it out.

Even an optimist, however, must consider the worst. So yes, it was possible that if things got even rougher Mrs Thatcher might find herself confronted by a delegation of "grandees" urging her to put the Conservative Party before herself.

Anything half-hearted would not succeed, but if they were all there – the Party chairman, the Chief Whip, the Chairman of the backbench 1922 Committee and, possibly, Lord Whitelaw – then perhaps, just perhaps, she might decide to stand down.

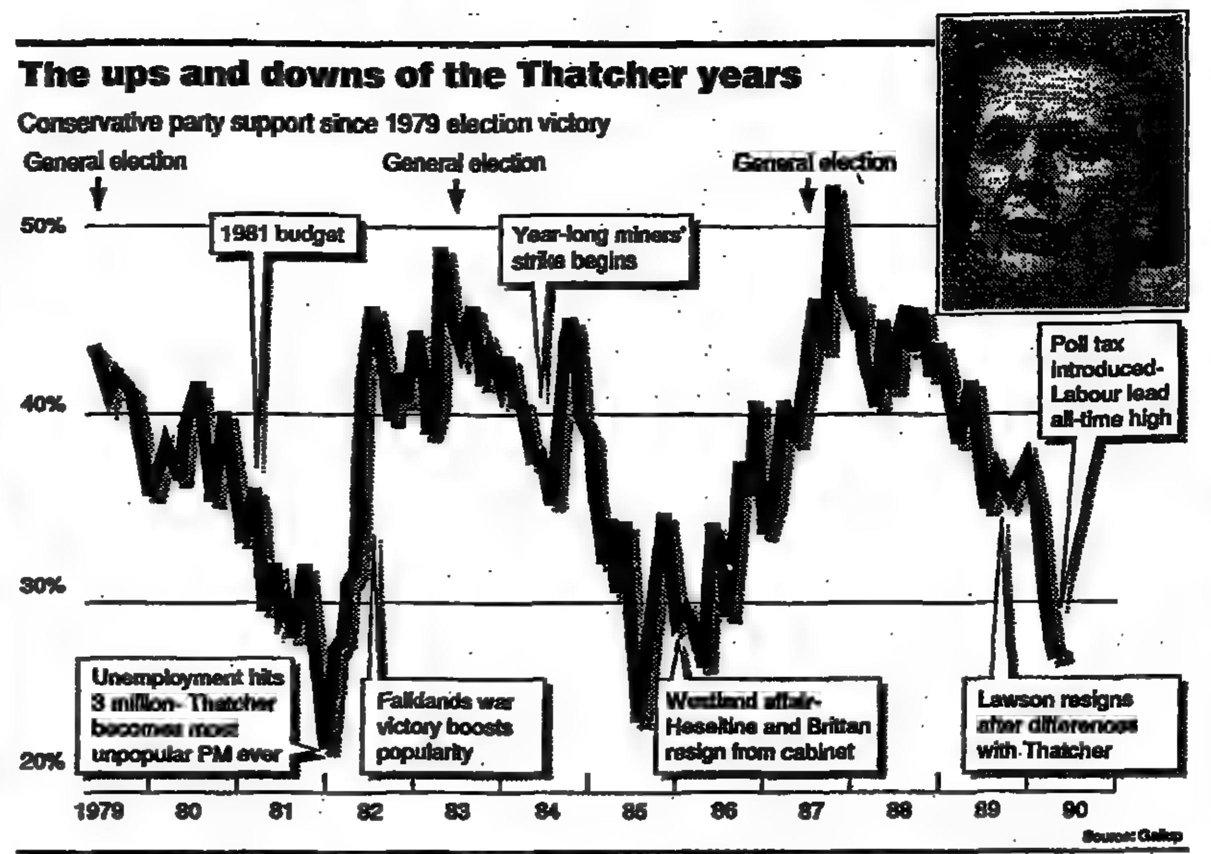
Such conversations are being replicated daily in the corridors, bars and tearooms of Westminster as Mrs Thatcher's once-impregnable Government faces its gravest crisis since it was first elected in 1979.

If this Thursday's local election results and the inflation figures a week later are as bad as most ministers expect, the speculation will reach a still higher crescendo.

Mr Michael Heseltine, the former Defence Minister whose blatant if unadmitted challenge to Mrs Thatcher grows stronger by the day, will be standing by to seize the opportunity he has dreamed off since storming out of her Cabinet in 1986.

In its detail, the constant speculation is frequently not illuminating.– the same thoughts, guesses, opinions, are recycled constantly. As the latest confusion over the Government's intentions towards the poll tax amply demonstrates, the prism of Westminster both magnifies and distorts reality.

Discussions over the past few weeks with more than a dozen senior Conservatives inside and outside of the Cabinet have revealed that there is no unequivocal consensus on Mrs Thatcher's future.



On balance, most believe she can – if she is sufficiently determined – survive. But no one really knows just what she is thinking, and not many are ready to bet their own political future on a particular outcome.

The speculation does not find any resonance within the inner sanctums of Downing Street.

Those close to the Prime Minister insist that she is resolute as ever in the face of the challenges of high inflation, the apparently irredeemable poll tax, and a Europe seemingly set on leaving Britain behind.

From the perspective of her office, anxious backbench Tory MPs are faint-hearts, guilty of gratuitous self-indulgence. The Prime Minister is used to fighting – and more importantly – to winning. She has both the political courage and the time to do so again.

No one really knows just what she is thinking, and not many are ready to bet their own future on a particular outcome

Nor can it be said that there is a majority in the Cabinet who believe that she should stand down in circumstances which would leave Mr Heseltine as the clear front-runner for the succession.

"I am not sure that we would be that much better off under Michael," one commented last week. "The problems will not just go away... and a contest would split the party."

But if Mr Heseltine cannot assume that his dream is about to translate into reality, the very fact and intensity of the speculation is a telling gauge of the extent to which Mrs Thatcher has been wounded.

When a Cabinet Minister, as did one recently, talks unselfconsciously about the merits of Mr Douglas Hurd, the Foreign Secretary, as the Establishment's candidate in a leadership contest, something is happening.

There are signs also that the Prime Minister's once unquestioned authority within the Cabinet is being chipped away. If she does fight the next election as party leader, then it may be on a manifesto that is distinctly less "Thatcherite" than the radical agenda she presented the electorate in 1987. Mrs Thatcher, many senior ministers believe, can no longer afford to ignore their advice.

Such judgements must come with a health warning. Too many myths have grown up since 1979 and too much personal pride and prejudice is involved to assess with great confidence subtle shifts in the inner workings of the Cabinet.

The stereotype of a Prime Minister simply dictating her will to a score of cowed ministers never wholly fitted the facts. Mrs Thatcher has always been unbending on some basic issues of principle, but has known when to be flexible on others.

"She is a politician to her fingertips. I have seen her change her mind on scores of occasions. She does not like it – and she hates doing it in public – but she does it," one long-serving minister comments.

The insistence of Mrs Thatcher's advisers that she is continuing to "lead from the front" finds echoes among ministers who have been scalded by her criticism in recent private meetings. Mr Nigel Lawson's resignation as Chancellor last October did not bring the instant switch to an idealised version of consensual government which many Tory MPs – and most political commentators – demanded.

"She backs her judgement ... after she has tested the arguments of others to destruction," one minister insists. Mrs Thatcher does not like to show her doubts: "She never backs down at a meeting. If you have persuaded her, you learn it later from officials," he adds.

Others, often with a tinge of resentment, cite several issues on which the Prime Minister's will has prevailed in recent months against the advice of her ministers.

Though he has been characteristically discreet, Mr Hurd is said by friends to have been dismayed by the approach that Mrs Thatcher has adopted towards Germany.

'She has spent her career driving into cul-de-sacs, then . . . knocking down a house to get into the next street'

Her initial public hostility to speedy unification and her later repeated insistence on a range of internationally-agreed conditions were seen at the Foreign Office as provocative. Yet Mr Hurd could do little but send soothing telegrams to an increasingly irritated Bonn Government.

Her ministers add that she has shown again in recent weeks that she remains ready to intervene in every aspect of policy – from the detail of the core curriculum for history teaching to plans to phase out sewage dumping in the North Sea.

Though some believe that a solution to the present mess over the poll tax would be best left to Mr Chris Patten, the Environment Secretary, and Mr John Major, the Chancellor, Mrs Thatcher has determined that she will have the decisive voice.

But as the problems have mounted, Whitehall insiders have begun to spot chinks in Mrs Thatcher's armour of self-confidence and conviction – and a parallel increase in the influence of her most senior ministers.

Her unpopularity in the country and the visibly growing support among backbench MPs for Mr Heseltine's leadership candidacy are said to have left her less confident, less sure-footed. "She is in a flap," says one senior official.

Another insider chooses a colourful if inelegant metaphor to illustrate Mrs Thatcher's predicament.

"She has spent her career driving into cul-de-sacs, then, instead of turning round, has knocked down a house to get through into the next street. The problem now is that she has found that there are a whole row of houses in the way."

While she contemplates whether to turn back, Mr Major and Mr Hurd are gradually setting their own agendas. "She is listening more to her ministers and less to her courtiers," a member of the Cabinet adds.

There have been some important straws in the wind. Mrs Thatcher has not suppressed her instincts on Europe – the flashes of resentment about pressure for closer integration are still visible in House of Commons.

The latest Dublin summit, however, provided evidence of the slow but steady efforts of Mr Hurd to persuade here to soften her tone. The infamous handbag was kept firmly by her side.

Mr Major has avoided the direct clashes with his neighbour over the European Monetary System which led to Mr Lawson's departure. He has none the less created an environment in which his colleagues believe that he, rather than the Prime Minister, will have the final say on whether Britain takes up full membership before the election.

Those who regard the Chancellor as too young and inexperienced to stand up to the Prime Minister are said also to have missed the political significance of his first Budget.

If there was plenty of "tinsel", the underlying theme – targeting tax concessions on those lower down the social and income scales – marked the beginning of a more fundamental shift.

Mr Major's next Budget – and the one after that – will continue the process. The wealthy, the Chancellor believes, have done well out of Thatcherism. They can look after themselves. His tax strategy will be designed to help the lower-paid, to give Conservatism a gentler face. The Prime Minister has little choice but to welcome the change.

The Chancellor and Foreign Secretary find their views and instincts – over Europe, over social policy, over the role of public sector – reinforced by other colleagues who see their political futures stretching well beyond that of Mrs Thatcher.

Mr Patten, or Mr Kenneth Clarke, the Health Secretary – both potential contenders for the leadership – have fully absorbed the free-market economics at the heart of Prime Minister's policies over the past decade.

They, and many others, appear distinctly less certain that the "revolution" should or can continue in the face of a credible Labour alternative. Privatising the coal industry is no longer a policy that wins cheers in the Cabinet.

The irony, according to one of her senior colleagues, is that if the Prime Minister does survive the next few weeks and months, it may be at the expense of much of what has become known as "Thatcherism".

OBSERVER

Falklands' new status

■ Something is brewing in Argentina. The Argentine Congress voted last week to convert Tierra del Fuego from a national territory to a province.

As part of this constitutional change, Congress also voted to incorporate the Falkland, Sandwich and South Georgia islands, as well as Argentina's claimed slice of the Antarctic, into the country's 23rd province.

The British Foreign Office is not unduly concerned and tends to regard the move as a piece of local gerrymandering.

Tierra del Fuego has around 50,000 inhabitants – no-one is quite sure of the exact number. At present, they are experiencing the worst of Argentina's severe recession. The bulk of them are employed in screwdriver workshops, assembling electronic goods for local-based foreign companies, attracted by low taxes and industrial promotion schemes which have now been suspended for the duration of the economic crisis.

Still, the constitutional change could create legal obstacles not simply to any future negotiations over the Falklands, but also the vast Antarctic territory, which many governments wish to see given a neutral status. Negotiations with Argentina on both issues are no longer a matter for diplomats, but for the Argentine Congress and its byzantine legislative operations.

As for the 2,000 or so Falkland Islanders, they will now have the right – indeed, the duty, since voting in Argentina is compulsory – to participate in the selection of 2 senators and 3 deputies for the Argentine Congress. No-one expects them actually to exercise it.

In theory, they are also now liable to pay Argentine taxes. But perhaps that does not matter very much since a large number of Argentine citizens manage to get away without paying any tax at all.

Life at 60

■ A new life at 60 for Edgar Astaire, founder of the stockbrokers, Astaire and Co. Astaire is joining Société Générale Strauss Turnbull in a role described as "ambassadorial". "It's nice to think that the older generation still has a future," says Derek Strauss, the 50-year-old deputy chairman. "Astaire was a friendly competitor when we were pioneering for business in the far east in the 1960s. He has another good five years in him." Astaire and Co is now part of Crédit Lyonnais.

True Basque

■ The story about putting too many Basques in one exit, told in yesterday's Observer, has some origin in truth. When Franco's forces entered the Basque country in 1939, the Basques tried to get out through a single mountain pass with results that were none too happy. It was a British diplomat who coined the phrase. Nobody seems to be able to remember his name.

Dole's message

■ What has got into Senator Robert Dole? The Senate Republican minority leader – long known for his sharp temper and acid wit – has developed a tic about Israel.

After a Holy Week tour of Arab capitals, which included a session with Israel's arch enemy, President Saddam Hussein of Iraq, Dole arrived in Jerusalem. He lambasted opposition to cutting US aid to Israel as "selfish", and demanded the repeal of a Senate resolution acknowledging that Jerusalem "is and should remain the capital of Israel".

"The sooner we get unity, the sooner we can blame the Europeans for everything."

For good measure, he also suggested that US aid to Israel to settle Soviet Jewish emigrants could hurt funds for the homeless back in the US.

One theory is that Dole is acting as President Bush's messenger. The administration would like to redirect some of the $3bn in annual aid to Israel to what it considers more deserving cases in Eastern Europe and Central America. But it is loath to say so in public. Bush, like Dole, shows signs of being fed up with Israeli intransigence over Middle East peace efforts; and there is little cheer in Washington over the prospect of dealing with another coalition government headed by Yitzhak Shamir.

Dole's curious courting of Saddam Hussein appears to fit in with the general picture of deteriorating US-Israeli relations. But there is another view. Some sources claim that Dole delivered a very strong message to the Iraqi leader from Bush.

The US administration is much alarmed about Iraq's weapons programme. It is not inconceivable that it would turn a blindish eye to a pre-emptive strike by Israel.

Off the map

■ If you think these are the days of open government, try ringing Immingham Parish Council on Humberside. The number is ex-directory. Try Immingham Town Council and the result is the same.

So you think that there must be something funny going on. "Not at all," says Maurice Barrick, the Clerk of the Council. "It's all the fault of British Telecom – bloody ridiculous". Immingham Parish and Town Council have been the same thing since the Local Government Act of 1972; it's just that the telephone authorities have not got round to listing them properly.

Barrick turns out to be a talkative fellow when you get through to him. He is a great admirer of Edward Heath, who was Prime Minister when the Local Government Act was introduced. "Heath was the man who recognised that the Humber was the last of the British estuaries needing to be developed, so he brought the local authorities together."

An interim report in 1988 suggested that Immingham should revert to Lincolnshire. A final decision is due in the next few weeks. Barrick hopes that it will stay with Humberside where, he says, standards are higher. The poll tax has been set at £364, with an extra local tax of £13.50 in neighbouring Cleethorpes.

There are no local elections this year, and anyway Immingham is solidly Labour. The last Tory was voted off the council in 1987. Barrick was having another shot at getting on to BT yesterday.

Frustrated

■ "He who laughs last...?" One 12-year-old boy wrote: "Wanted to tell it himself."

LETTERS

Problems inherent in political unity in Europe

From Rt Hon Aubrey Jones.

Sir, Sir Robin Williams (Letters, April 26), in chiding you for the view that political union is inherent in the European Community's foundation charter, quotes from the Heath Government's white paper of July 1971.

The passage cited gave an accurate still picture of the European Community as it then was. It may, however, have been disingenuous in failing to describe the historical evolution of the Community and, therefore, its possible future shape.

The history goes back to the First World War, during which the three allies on the Western front – Britain, France and Italy – were all dependent on overseas supplies of food and raw materials. The required shipping was, however, almost exclusively in British hands.

Early in 1918 an Allied Maritime Transport Executive was set up, which allocated ships according to need jointly determined. Through the executive, Britain in effect surrendered sovereignty over her shipping.

The chairman of the executive was a Briton, Sir Arthur (later Lord) Salter, and the French representative was Jean Monnet, of Cognac.

Immediately on the outbreak of the Second World War, the executive was resurrected, with Monnet this time as its chairman and with Salter as his deputy. It was to be the prototype on which the European Community was modelled.

Between the two world wars, both Salter and Monnet served in the League of Nations. Both later expressed their disillusionment with co-operation between sovereign states.

Thus Salter: "The intrinsic weakness of an 'inter-state' institution, which leaves national sovereignty unimpaired, is that a deterioration in the relations between its principal members can quickly reduce it to impotence. There is in such an institution . . . no means of arriving at effective decisions."

And Monnet: " . . . inter-governmental systems, already weakened by the compromises built into them, were quickly paralysed by the rule that all decisions must be unanimous. I had already learned this from my experience at the League of Nations. The United Nations organisation had the same inbuilt flaw, and so had the Council of Europe."

The European Community was a method of overcoming this flaw, the essence of the method being that an independent commission has sought a view of the whole and engaged in a dialogue with sovereign governments whose views are, by definition, partial.

It was always Monnet's view, however, that ultimately the Commission should be made politically accountable. Such accountability would seem feasible only under some form of "political union."

Aubrey Jones,
Science Policy Research Unit,
University of Sussex,
Falmer, Brighton,
East Sussex

Eurotunnel and price-setting

From Professor John Kay and Mr Stefan Szymanski.

Sir, As your leader ("Gainers from the tunnel," April 25) rightly pointed out, shareholders will only be able to predict the future profitability of the tunnel if they consider the nature of competition between Eurotunnel and its major rivals, the ferry companies.

However, your suggestion that only "economists concerned about economic efficiency would recommend price cutting to maximise market share" and that Eurotunnel will seek to collude with the ferries to maintain high prices, commits the same error which has already been made by Eurotunnel's forecasters.

It is important to recognise that Eurotunnel's negligible incremental cost (in spite of its daunting fixed overheads) makes a low price/high market share strategy the only plausible one for maximising profits.

After all, there are now no ferry services operating underneath the Humber Bridge, nor crossing the Golden Gate and this is a strictly commercial outcome, not the result of some theoretically efficient model. In our recent paper in Business Strategy Review we showed that this outcome is robust to a wide range of differing assumptions about costs and service quality.

This rules out any sensible basis for co-operation between the ferries and Eurotunnel, since collusion would not enable Eurotunnel to earn higher profits. This is no more sensible than it is for IBM to collude with makers of abacus.

Given the recent escalation of costs, it would seem more important than ever that Eurotunnel, in addition to economists, pursue policies which maximise their revenue in the hope of some day paying the shareholders a dividend.

John Kay, director,
and Stefan Szymanski,
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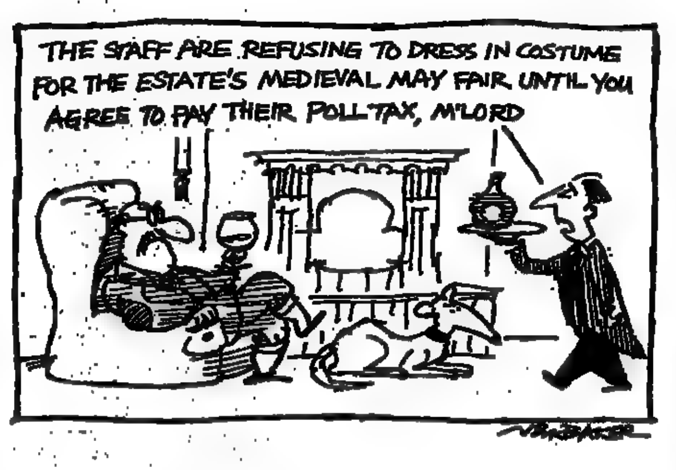


Feudalism and the poll tax

From Mr Alexander Murray.

Sir, Whether surgery will save the poll tax will become clear in the next 18 months. But there is an historical reason why it should not. It is that the switch from rates to poll tax sought to give a *coup de grace* to feudalism, which will exact revenge.

Disraeli saw the essence of feudalism as the bond it drew between the possession of property and the fulfilment of social obligation. Ideally the obligation was met in the form of service, on farm or battlefield, or in administration.

In fact there was always some money commutation, and as this element grew, it engendered a taxation system based largely on property, with a growing admixture of taxes on goods. The assumptions behind this system were so hardy that when income tax began to fight its way in, in the 19th century, many people – the industrious Gladstone among them – thought the idea highly immoral.

That this position is now inverted is due partly to those socialists who have sought to recruit property taxes as a means of "distributing wealth." Overstated cases normally thus damage their own cause, and now it is the idea of property tax, not of income tax, that causes horror.

One result has been to leave the idea represented only by monstrous hybrids, taxes on what feudal language would have called incidents: events in the history of property rather than property itself.

Such taxes not only oblige the treasury to keep journals of its taxpayers' transactions, as distinct from mere inventories of what they own (which is why CGT and CTT are expensive to collect).

More important, being in their very nature unpredictable, these taxes hobble management, which protects itself as best it can with expensive insurance, and accounting devices designed to pretend an incident is not an incident.

Most important of all, they invisibly divert private wealth from the more mobile to the less mobile areas of the economy – where there are fewer "incidents" – thus contributing, for instance, to the current double demand made on the nation's housing stock (which is used to protect people's wealth as well as housing them).

Domestic rates were the last expression, in our private taxation, of a truth older than parliament itself: that the stable enjoyment of property is a benefit made possible by the existence of an ordered state, towards whose expenses it is just that the property owner, as such, should make an appropriate contribution.

Alexander Murray,
Tutor in Medieval History,
University College, Oxford

Experienced in independence

From Andrew I. R. Stuttaford.

Sir, Anatole Kaletsky (Lombard, April 26) writes that "Lithuania's demand for instant independence should be no more acceptable to any western country than it is to the USSR." He cites the fact that Lithuania has been fully independent for "just 22 of the last 600 years." This misses the essential point, namely that Lithuania gained its independence in 1918 along with a number of other countries, such as Finland and Czechoslovakia, whose right to exist as independent nations is not today challenged despite historically brief periods of self-determination.

In the inter-war years Lithuania became a member of the League of Nations and secured diplomatic recognition from all the major powers, including the Soviet Union. This period of independence was ended by Stalin under circumstances of peculiar savagery, which Mr Kaletsky finds analogous to our own colonial adventures in previous centuries.

It is not necessary to look so far afield for comparisons. What happened to Lithuania in 1940 was an invasion, much as happened to Holland, Belgium and other European countries. We did not ask them to be patient in regaining their independence. Nor should we ask it of Lithuania.

Andrew I. R. Stuttaford,
The Reform Club,
104 Pall Mall, SW1

Liberal times at an empire's end

From Mr W.A.P. Manser.

Sir, If Lithuanian leaders had said the things they are now in Brezhnev's or, still more, in Stalin's time, they would, at best, be in prison, and, at worst, be dead.

Mr Gorbachev has been a huge liberalising influence in Europe – perhaps the greatest since 1848. He has waved six east European countries on to a path of liberty, democracy and a free market. In his own country he is substituting a presidential democracy for a secret one-party hegemony.

Of course the Russian empire is unbundling. He has said many times Lithuania will be independent. No doubt other territories will follow. But Gorbachev is right to ask for an organised disengagement. There are many economic, social, political and defence strands to disentangle.

The English, the French, and others also insisted, in the past, on an orderly dissolution of our empires; and these were in Africa, the Pacific and the Caribbean. How much more should Gorbachev insist when his colonies are only a few hundred miles from Moscow?

W.A.P. Manser,
Putney Heath, SW1

Guidelines for control of sterling bond buy-ins

From Mr R.H. Briance.

Sir, The issue of buy-ins of sterling bonds has been the subject of a number of articles and letters in the FT.

As the temperature surrounding the debate rises it is perhaps instructive to refocus on the key issues and attempt to disentangle them from special-interest pleading.

I support the points made by Mr Cameron Smail (Letters, April 10) and would like to add the following points:

- In most cases cancellation of repurchased bonds was imposed on the issuer by the initial terms of the prospectus. The intention of the relevant clause was, ironically, to protect the investor against market manipulation by the borrower! Perhaps it is time to do away with the obligation to cancel repurchased bonds in any future issue.

Where cancellation is not mandatory and there is no possibility of a false market arising, the rules should not require that issuers' purchases be disclosed to the market, provided there is no intention to cancel.

- The key concern of market-makers and investors should be the risk of being left long or short of the illiquid rump of an issue. Guidelines should be established applicable to buy-in activity which, when completed, materially alters the liquidity of the original issue.

Such guidelines might relate to a maximum percentage, say 25 per cent, of an issue which could be repurchased, which, if exceeded, would require the company to tender for the balance of the issue.

The guidelines would need to be carefully drafted to take account of increases in the size of the issue arising from further tranches.

Richard H. Briance,
Executive Director,
Credit Suisse First Boston Ltd,
2a Great Titchfield Street, W1

Bonn's decision on East German mark 'appears balanced'

From Mr Jorgen Mortensen.

Sir, In the debate on conditions for implementing monetary integration between the two Germanys it has regularly been argued that, while political arguments appear to weigh heavily in favour of a 1-1 exchange of East Marks against D-Marks, economic arguments favour a lower value for the eastern currency.

Bonn's decision (April 23) to offer a general conversion rate of 1-1 is therefore widely seen as a victory of politics over economic analysis. However, an exchange rate rather close to the previous "official" rate of 1-1 may also be defended by purely economic arguments.

According to available estimates of relative productivity, output per head in East Germany would appear to be about 50 per cent of the average level in West Germany. Since wage costs per employee in East Germany are also (at the official exchange rate) about 50 per cent or less of the level in West Germany, there would at first glance hardly seem to be good grounds for recommending that East Germany should enter into monetary union at a strongly devalued level of its currency.

Calls for a pronounced devaluation of the East Mark before monetary union appear, in the main, to assume that such a devaluation would allow East Germany to enter into a phase of export-led growth based on a highly cost-competitive tradable goods sector. However, whether a competitive supply of goods would actually be available at a "beggar-thy-neighbour" exchange rate level would depend greatly on the availability of qualified labour and management.

Given the prospect of completely free movement of labour between the two parts of Germany, too great a difference between East and West might well increase the attractions of the West. Already West German firms operating in the East are transferring a large number of managers while maintaining their pay at previous levels. It is inconceivable that, after a transitional period, it will be possible to maintain significant wage differentials in the eastern and western parts of the unified economy between people with approximately the same skills.

Growth prospects for East Germany would seem to be determined not by the exchange rate but by the scope for rapidly increasing productivity. At present this is at the level of Portugal or Greece and to raise it towards the average level of the Federal Republic would mean an approximate doubling. This would seem a gigantic task in the case of Greece. However, East Germany, despite four decades of stagnation, belongs to the same cultural environment as West Germany and in many ways represents an essential complement to the economy of the West.

Monetary unification between the two Germanys is more to be considered in terms of monetary reform in the East, with one currency replacing the other, than in terms of the opening up of trade between two sovereign states. Thus, the scope for East German productivity increases would appear to be a much more important determinant of its economic prospects than the conversion rate of its currency.

The present level of East German productivity would seem to correspond approximately to the level prevailing in West Germany in 1960. During the years from 1950 to 1970 output per man hour in the Federal Republic rose on average at a rate of about 6 per cent per year. This was more than three percentage points faster than productivity growth in the US over the same period.

There would appear good grounds for expecting a couple of decades of productivity growth in East Germany in the range of 6 per cent to 7 per cent or some 4-to-5 percentage points faster than in the rest of Germany. Even so it would take about 15 years to close the productivity gap. One of the conditions for this to occur would be halting the emigration from the East to the West and, perhaps, turning it round.

There is no doubt that Bonn's decision to offer a 1-1 exchange rate will make it more difficult for some East German firms to sustain competition from the West, but it does appear to be based on a balanced consideration of the economic arguments.

Jorgen Mortensen,
11 Avenue d'Andrimont,
Brussels

FOREIGN AFFAIRS

Too many 'cases of concern'

There is no guarantee against risk to foreign correspondents, argues **Jurek Martin**

Journalism is still supposed to be an interesting line of work, with the foreign correspondent at the 'glamour end of the business. But it never has been risk-free and therein, for a foreign editor, lies the rub.

Last year, according to the New York-based Committee to Protect Journalists, 53 journalists lost their lives on duty, about double the 1988 figure. Of these, 35 were in Latin America (14 in El Salvador and 11 in Peru). Seven were non-native (i.e. foreign) correspondents, but about 60, also twice as many as the previous year, were expelled from countries in which they were working. All told, the committee recorded 325 cases of arrest, 102 physical assaults and another doubling in the instances of publications being banned or confiscated. The figures, it is stressed, are "conservative."

The report identifies 16 countries as "cases of concern." They are China, Colombia, Cuba, El Salvador, Iraq, Israel, Kenya, Lebanon, Liberia, Peru, Romania, Singapore, South Africa, the Soviet Union, Sri Lanka, and Turkey. Not included, mostly because there is virtually no direct news flow, are countries like Albania, North Korea, Malawi, Burma, Somalia and Iran.

These figures and countries can seem abstractions, even to fellow journalists, made intermittently real by recollection of the continued imprisonment in Lebanon of Terry Anderson and John McCarthy, or brought home more brutally by the deaths of someone familiar, such as David Blundy of the Correspondent, killed by a sniper's bullet in El Salvador, or Farzad Bazoft, executed by Iraq.

The Financial Times is not exempt from these vicissitudes. In the last six months alone, we have had one correspondent kicked out of Pakistan, another evicted (twice) from Malawi, a third detained for a week in the Sudan and a fourth ambushed and abducted by guerrillas in Liberia. Fortunately, no physical harm was inflicted.

Nobody ever said journalism was all indoor work with no heavy lifting. It is a truism, but no less relevant for being so, that some stories are dangerous but have to be covered. Some reporters are attracted by danger. We can hope ours are street smart and know how to minimise risk on the ground. But there is no cast iron insurance policy against the random bullet that killed David Blundy.

The question for those of us at the centre is how far we are willing to expose our people to danger. The Observer has been criticised for allowing Farzad Bazoft, of Iranian extraction, to go to Iraq, but, even if the newspaper might have instructed him to be more circumspect, the censures are mostly wise after the event. The FT, let it be said, also sent a correspondent on the same trip and would have been disappointed if he had confined himself to covering elections in Kurdistan, as the Iraqi invitation had specified.

Of course, it helps to "know" your journalist well – and here is part of the problem. The most dangerous parts of the world are probably those where a newspaper will not have its own staff correspondents. Of the 16 "cases for concern", we are represented full time in only three – the Soviet Union, South Africa and Israel.

The others are served, if at all, by "stringers," mostly young freelance reporters keen to make a name. No newspaper with pretensions to cover the world can survive without stringers, and not only because they come cheaper. We like to think we choose them with care and school them as best we can, but the controls on and over someone in Beirut or San Salvador are inevitably going to be less than over an experienced correspondent in Paris or Washington.

It is undeniably tempting simply not to cover the most dangerous stories, especially if they are deemed marginal. Inside the FT, and probably elsewhere, there has been a protracted and still unresolved "small wars" debate which questions whether our readers really care about conflict in, for example, northern Uganda. The curious thing is that if you stop covering such stories somebody, usually readers, will notice and complain. In any case, we have an obligation to inform and we try not to be parochial; if that happens to mean reporting on war and famine in Ethiopia it recognises the fact that that is what there is to write about Ethiopia. If there were a bond market in Addis, doubtless we would cover it, too.

But if something does go wrong, the power of the press, mighty at home, is quickly found to cut less ice in a Khartoum or Beirut. The British Foreign Office has been criticised in some quarters, along with the Observer, for not pulling out all the stops for Bazoft. The argument is that if both had maintained a drumbeat of visible pressure – including visits to Baghdad by, say, the foreign secretary and the editor of the newspaper – the Iraqi regime might well have been persuaded to relent.

If something goes wrong, the power of the press, mighty at home, is quickly found to cut less ice in Khartoum or Beirut

But this tends to assume that all policy considerations must be subordinated to the cause of securing the release of those unjustly held, which is a tough judgment to make in every case. It is easy to forget how much the US was criticised by its friends in Europe for allowing itself to become so obsessed by the Iranian hostage crisis of 1979-81. In any event, a diplomatic service, by its very nature, generally has no alternative but to deal with whatever authorities control a particular country, many of whom would be happy never to admit a foreign correspondent into their territory, or who consider the breed fair game.

In the case of the FT's own recent problems, British diplomats were unfailingly helpful within the confines of their briefs – and this discreet approach worked. However there are limits on what embassies can do and these are going to get tighter. It is no secret that the FCO, needing to staff up in eastern Europe, is probably going to have to cut representation in the more problematic regions, like Latin America and Africa.

Non-governmental organisations, such as the Committee to Protect Journalists, the International Press Institute and the aid and humanitarian agencies, may also assist in mobilising protests and finding pressure points. The CPJ, for example, was able to open lines of communication with the New York office of the Liberian guerrillas holding an FT correspondent. Intriguingly, the first confirmed news that Mark Huband was unharmed came in a telephone call from Charles Taylor, the rebel leader, to the BBC world service's Africa programme. This surely is evidence enough that such broadcasting services must be preserved.

But there is no guaranteed way of ensuring the safety of a foreign correspondent in trouble. In the last analysis, the only policy is to be as cautious as possible – and then to hope. In this context, the most sane advice recently received came from one of our stringers, Julian Ozanne, after he had been released from captivity in the Sudan. After checking off the sensible things to do – staying in touch, carrying proper credentials, disposing of sensitive material and so on – he wrote:

"Africa hacks, myself included, sometimes believe we are untouchable because we are the world's press. We do take risks and do silly things. Sometimes its the only way to get things done. Sometimes I think it can get very macho . . . and I myself have experienced a much greater machismo rating among my colleagues since my detention. It's all rather pathetic and certainly not worth it.

"I don't know if there is any way of stopping this cat and mouse game of bravado. I just think journalists should think about the risks they are taking with other people's lives." Not forgetting their own.

FINANCIAL TIMES
Tuesday May 1 1990

MOSCOW FACES OPEN DEFIANCE

Latvia close to vote for independence

By Quentin Peel in Moscow

LEADERS of the nationalist movement in the Soviet Baltic republic of Latvia yesterday claimed enough support in the newly-elected parliament to vote this week for independence and join the neighbouring republics of Lithuania and Estonia in open defiance of Moscow.

With two seats still in doubt in the 201-seat parliament, the Latvian Popular Front was yesterday six short of the two-thirds majority (134 votes) needed to change the republican constitution.

However, the Front is confident of winning the votes of up to 10 independent members in favour of a move to re-establish Latvian independence and return to the 1924 constitution.

The claims were made yesterday as Lithuanian leaders insisted that they were not prepared to suspend their declaration of independence in order to open negotiations with Moscow, but only to freeze the consequences of that decision.

Meanwhile in Vilnius, the Lithuanian capital, crowds mourned a man who became a martyr of the republic's bid for independence by burning himself to death in a Moscow square last week.

Mr Vytautas Landsbergis, the Lithuanian President, told a crowd of about 5,000 who filed behind the man's coffin, which was draped in the red, yellow and green Lithuanian flag: "This is one of the greatest sacrifices that could have been made for Lithuania".

The Soviet energy blockade of Lithuania is having an increasingly serious effect on its neighbouring republics, with all private motorists in Latvia now denied petrol, and no sign of promised relief from the Russian Federation.

In spite of slightly differing tactics, Latvia and Estonia are moving into the same position as Lithuania. Both republics are demanding negotiations on the independence issue and are refusing to accept the hostile terms offered by President Mikhail Gorbachev in his new Law on Secession.

That requires a referendum to be held in any republic desiring to quit the USSR, with a two-thirds majority of all registered voters – just possible in Lithuania, but unlikely in Latvia and Estonia with both republics having large ethnic minorities.

Moscow's demand for Lithuania's independence declaration to be renounced, or at least suspended, is also much more complicated than it appears on the surface.

It could mean that Lithuania will have to give up its claim to have been forcibly annexed by the Red Army in 1940 and illegally deprived of its independence.

Mr Romualdas Ozolas, the Deputy Prime Minister, yesterday repeated the Lithuanian Government's refusal to go back on the March 11 declaration.

"We will not negotiate on the basis of suspending the March 11 declaration," he told a news conference in Vilnius.

Lithuanian President Vitautis Landsbergis.

British Steel wins Iran railway contract

By Charles Leadbeater, Industrial Editor, in London

BRITISH STEEL is on the verge of a significant breakthrough into the Iranian market, after winning a contract to help rebuild the country's crumbling rail network.

The order, which is part of a large reconstruction programme for the Iranian railways after the damage caused during the Gulf War, could lead to further contracts for British companies.

The deal symbolises both the opportunities and the obstacles faced by British companies in offsetting flagging UK sales by increasing exports.

The contract to provide 7,500 tonnes of steel sleepers to the Iranian National Railways may well be followed by a large contract for railway tracks.

Although British Steel sold sleepers to Iran five years ago, it hopes a clutch of orders could open the country up as a much more significant market.

The company said the commercial climate in Iran had improved markedly, suggesting that it may become a more significant Middle Eastern market for UK exporters.

However, to clinch the deal a team from the company's track products division, which is based in north-west England had to devote six months to intensive negotiations with executives from Iran's National Railways in Tehran.

The Iranian contract is the most recent in a series of deals which British Steel, the UK's sixth largest exporter, has signed in the Middle and Far East.

The company is to supply about 80km of heat treated rail track to mainland China, the first time the country has imported such steel, which is used to carry heavy goods trains. That deal took 18 months to negotiate.

Under a contract signed earlier this year the company will supply 30,000 tonnes or more than 200km of heat treated rail tracks to the Indian Railway Board.

Meanwhile, the company is hopeful of expanding its railway equipment exports in Europe given the plans for substantial investments in high speed rail links.

It recently won a contract to provide 8,000 tonnes of high-speed rail tracks to Spain and Portugal.

LSE rule criticised as anti-competitive

By Richard Waters in London

A LONDON Stock Exchange rule introduced 15 months ago as part of a move to limit securities firms' exposure to losses in the London stock market was yesterday attacked as anti-competitive by Mr Gordon Borrie, director-general of fair trading.

His attack, contained in a report to the Mr Nicholas Ridley, the UK Trade and Industry Secretary, adds to criticisms from some in London's stock market that the rule change amounted to an attempt by the leading market makers to recreate the cartel they had enjoyed before Big Bang in 1986.

The rule, adopted in February last year, excused firms from having to publish details of deals worth £100,000 ($163,000) immediately, but allowed publication to take place the following day.

Market makers claimed that this gave them a chance to reduce any large exposure they took on, rather than alerting the rest of the market and exposing them to predatory trading tactics from others.

However, Sir Gordon said the rule, which affected nearly 80 per cent of trades in large, alpha stocks last year, deprived the market of information which was important in assessing the value of shares.

"This loss of transparency diminishes pricing efficiency and increases uncertainty," his report says. The result is higher dealing costs for investors and a loss of liquidity on the stock market, although the OFT said there were "deficiencies in the available evidence" which had led it to this view.

Sir Gordon said a proposed exchange rule, which would reduce the 24-hour delay in publication to a maximum of 90 minutes, was unlikely to allay his concerns.

The Securities and Investments Board, the investment industry's chief regulator, has also expressed concern about the 24-hour rule. However, it is thought to take a less strict line than Sir Gordon on the proposed amendment.

The original rule change and the amendment were prompted by the Elwes committee, set up by the exchange 18 months ago to recommend changes following one of the fiercest price wars the stock market had seen. Mr Nigel Elwes, committee chairman, defended the moves, saying they were necessary to reinforce London's central equity market.

The exchange, while saying that it would bear Sir Gordon's views in mind when considering the 90-minute rule, also defended the change.

Large securities firms reacted angrily to the attack, and pointed out that the London equity market was the only one in Europe to have any form of on-line publication of bargains.

Financial Services Act 1986 – Trade Publication and Price Transparency on the International Stock Exchange. OFT, Room 612, Chancery House, Chancery Lane, London. Free.

International telecoms chief joins call for reforms

Continued from Page 1

trying to maintain recommendations which do not make sense."

Mr Irmer said that only one of the CCITT's 15 groups, Study Group 3, was concerned with economic matters. The rest were devoted to technical standardisation. Although Study Group 3's members were telephone companies, the CCITT was also open to manufacturers and users.

"The CCITT and its work cannot stand as a rock while everything around it is changing," Mr Irmer said. But he warned that change would be painful because if international prices were cut local charges would have to increase.

The FT revealed last month that phone users around the world were being over-charged more than $10bn a year by the cartel for making international calls and that prices were on average three times costs.

This is partly because most phone companies have been granted monopoly rights over international traffic by their governments and because the cartel jointly owns most of the international facilities.

However, two of the pillars on which the cartel rests are enshrined in the CCITT's recommendations. These are the accounting rate system, used to share revenue between the phone companies, and the tight restrictions on international private circuits which are designed to keep competitors out of the market.

Mr Irmer said he had as yet no clear idea of how the accounting rate system should be changed.

He predicted that the restrictions on private circuits would be reformed over the next few years. The matter is to be debated by Study Group 3 later this month with the US leading calls for reform.

Mr Irmer, an engineer by background, stressed the importance of technological progress which was bringing down costs and blurring the distinction between different telecommunications services as a force for changing the current system. "It would be stupid to suppose a monopoly could offer all the services now available as a result of technology," he said.

The secretary-general of the International Telecommunications Union, the United Nations affiliate which encompasses the CCITT, also said yesterday that international prices should be cost-related. However, he took a more conservative line than Mr Irma, saying that no radical changes to the system were needed.

Propaganda ship sours Peking's links with Taiwan

By Peter Ellingsen in Peking and Peter Wickenden in Taipei

RELATIONS between China and Taiwan, recently improved by better trade contacts, turned sour yesterday as Peking accused Taipei of "open provocation" in backing a radio ship designed to broadcast anti-Government propaganda to the mainland.

The ship, named "Goddess of Democracy" after the statue students erected in Tiananmen Square last year, is manned by leading Chinese dissidents and funded, according to Peking, partly by Taiwan.

It is due to dock in Keelung harbour, northern Taiwan, late next week, before sailing for international waters off the Chinese coast, where it will broadcast daily to more than 1bn people.

The Taiwan stock exchange index yesterday fell sharply by 373 points, 4 per cent, on fears of instability.

The radio ship project has infuriated Chinese officials, who refuse to rule out the use of force to stop the broadcasts, and claim that the venture is in contravention of international law.

But the Taiwanese Government will not change its policy of allowing the ship to dock and giving it "humanitarian accommodation", said a spokesman yesterday. Mr Liao Cheng Hao, deputy director of the Government Information Office, said Taiwan would not change its position because of threatening remarks and intimidation from mainland China.

In Peking, the first broadside was fired last week by Li Jinhua, a Foreign Ministry spokeswoman, who warned that China would not tolerate foreign support for the vessel. The New China News Agency yesterday raised the temperature, saying Taiwan paid half the $1m cost of the ship. It claimed newspaper reports indicated that "Taiwan has an active part in plotting, and vigorously supported the whole scheme".

In Taipei, the government held an emergency Cabinet meeting yesterday to review its decision and decided to stand firm. Keelung is the last scheduled port of call for the vessel, now on its way to Singapore, before it begins broadcasting democracy programmes in the middle of this month. The French-based organisers of the mission made contact with the ship on Sunday after five days of silence.

Political analysts in Taipei expressed surprise at the Government's stance, which may increase the level of tension across the Taiwan Straits and jeopardise recent progress toward the re-establishment of direct transport links that were cut in 1949.

The ruling Kuomintang Party said it was adopting a policy of passive support for the ship.

However, the defence ministry announced last week that Taiwanese fighter aircraft and ships would "take appropriate action" if China used force against the ship in Taiwan-controlled waters.

In an apparent effort to calm fears on both sides of the straits, Taiwan's cabinet-level task force on mainland affairs yesterday approved a proposal to allow elected government officials from parliamentary to local council level to visit mainland China as private citizens.

But the Peking Government is taking a less conciliatory line. "In supporting the Goddess of Democracy ship, the Taiwan authorities are taking a new step to oppose the Chinese Government, and to create disturbances on the Chinese mainland," the New China News Agency said.

THE LEX COLUMN

ICI's medicine for the markets

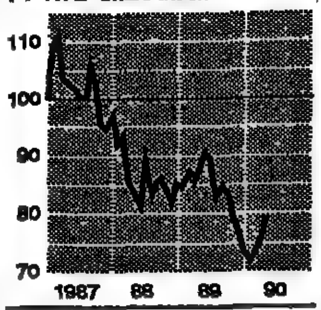
The power of Imperial Chemical Industries over the London market is plainly undiminished. The FT-SE began yesterday by diving below 2100 for the first time in six months. On ICI's announcement of a mere 6 per cent drop in first quarter profits, it shot back up again. On closer inspection, it is not quite clear this was justified. Almost all ICI's extra profits are accounted for by £40m or so of one-off benefits; without that, the drop in profits was a less surprising 15 per cent.

The composition of profits is just as might have been expected at this point in the cycle. Of the nine trading divisions, all except pharmaceuticals and agrochemicals showed a fall in margins. But those two, as ICI showed in 1980/81, are classically counter-cyclical. In the past year, they have moved from a third of group profit to more than half. Meanwhile the heavy end – petrochemicals and plastics especially – is plunging more rapidly than the market bargained for, despite the ideal combination of a rising D-Mark and a falling dollar.

Looking ahead, there seems little reason for full year forecasts to be amended. In Europe at least, the decline in heavy chemicals seems to have stabilised; but there are further falls to come elsewhere, particularly Australia. In agrochemicals, too, there may have been some bunching of business in the first quarter. At 1080p, the shares are on below nine times prospective earnings and a forecast yield of 7.3 per cent. But the implied decline in pre-tax profits for 1990 is still only some 5 per cent. This is not the stuff of recession; and conversely, of course, there is no reason to expect a dramatic bounce in a year or two's time.

ICI

Share price relative to the FT-A All-Share Index



Market making

It seems very proper, if somewhat belated, for Sir Gordon Borrie to have turned his attention to the delayed reporting of large share trades. After all, a market in which 78 per cent of alpha trades are not announced until the following day can hardly be described as transparent. Although the Stock Exchange is now proposing a reduced delay of 90 minutes, Sir Gordon is not mollified.

In the old days, the big market makers argued that revealing the details of large trades laid them open to spoiling tactics from their competitors. But that is surely the essence of market making. In any case, it is hard to distinguish between a spoiling tactic and a markdown in prices as a logical reponse to information that a large line of stock is being sold. Sir Gordon found no evidence that immediate reporting caused either a widening of spreads or a reduction in quote size: rather the opposite, that better information helped liquidity by reducing the risk of dealing blind.

Delayed reporting distorts the pricing system and gives the big market makers extra information which discriminates against smaller competitors who do not receive the same insight into the markets. It is not too difficult to see the hand of the old jobbers' cartel behind its popularity.

There obviously has been a swing of power towards the institutions and away from the securities houses in recent years. Market makers do not always receive a decent return for dealing in large lines of stock. But that is caused more by cyclical overcapacity than by deficiencies in Stock Exchange rules. A reduction in costs, such as City firms often urge on industrial companies, would be a much better solution than protectionist regulation.

Tootal

The impasse between Tootal and its near-30 per cent shareholder Coats Viyella is thoroughly exasperating for investors in both companies. It also looks unlikely to be cleared up this side of 1991 at best. Granted, yesterday's rather dull figures from Tootal go some way to vindicating Coats's unwillingness last year to pay more than 110p per share for Tootal. But while both companies would evidently be better off merged, in the short term it is hard to see them doing the job on terms that shareholders can be happy with.

The £6.5m drop in Tootal's pre-tax profits to £35.7m would have been £1.5m worse if it had not been for the new SSAP 24 on pensions costs. Yet the fall's most disappointing aspect is that it follows four years and about £135m of heavy investment which were intended to prevent nasty surprises of this type, by limiting the company's dependance on UK and African textiles.

As it is, notwithstanding dividend growth averaging less than 10 per cent over the last five years, Tootal's dividend cover is an abnormally low 1.7; and at 17 per cent, its return on capital employed is the lowest since 1986. But with Coats's profits probably falling too, and Coats's gearing at 18 per cent, if one ignores its £117m pension fund surplus, it is not obvious that it could bid the necessary £300m without spooking its own shareholders now.

Allied Irish Banks

One useful rule of thumb for investors in bank stocks is to steer clear of those banks which frequently tap their shareholders for fresh capital. Another tip is to stick with those banks which concentrate on their domestic markets. Allied Irish Banks fails both criteria. Yesterday, it announced its third rights issue in 3½ years plus a hostile bid for a small US bank with an erratic record. Its shares dropped 14p yesterday, and they deserve to fall further.

To be fair to Allied Irish, its recent performance is considerably better than that of Bank of Ireland, and its First Maryland acquisition is one of the few foreign-owned US success stories. However, it is offering to pay close to 13 times earnings for Baltimore Bancorp and its shareholders face dilution. It already has more than a third of its assets in the US, so there is no pressing reason why it needs to diversify further in a market which has been the graveyard for many bankers' reputations.

If Allied Irish's shareholders want more exposure to US regional banks, presumably they can invest directly – and more cheaply – by themselves. Allied Irish does not need this rights issue and is exploiting its own fancy share rating of close to two times book value. This only makes sense if Allied Irish itself could be a bid target; and this is most unlikely.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	22	72	Dallas †	C	14	57	Madeira	C	18	64	Prague	C	15	59
Algiers	C	18	64	Dublin	S	15	59	Madrid	F	19	66	Reykjavik	R	2	36
Amsterdam	S	19	66	Dubrovnik	S	17	63	Majorca	F	19	66	Rhodes	S	19	66
Athens	F	18	64	Edinburgh	S	20	68	Malaga	C	17	63	Rio de Janeiro	–	–	–
Bahrain	S	28	82	Faro	F	19	66	Malta	F	17	63	Rome	S	18	64
Barcelona	F	17	63	Florence	S	23	73	Manchester	S	21	70	Salzburg	F	17	63
Belfast	S	18	64	Frankfurt	S	18	64	Melbourne	C	20	68	S'Francisco †	S	9	48
Belgrade	F	16	61	Geneva	S	17	63	Mexico City		–	–	Santiago		–	–
Berlin	C	11	52	Gibraltar	R	15	59	Miami †	S	24	75	Seoul	S	25	77
Biarritz	S	22	72	Glasgow	S	18	64	Milan	S	19	66	Singapore	T	33	91
Birmingham	F	20	68	Guernsey	S	17	63	Montreal †	F	13	55	Stockholm	S	22	72
Blackpool	S	21	70	Helsinki	F	19	66	Moscow	F	19	66	Strasbourg	S	18	64
Bombay	F	32	90	Hong Kong		–	–	Munich	S	16	61	Sydney	S	21	70
Bordeaux	S	24	75	Innsbruck	S	19	66	Nairobi		–	–	Tangier	C	18	64
Boulogne	F	21	70	Inverness	S	18	64	Naples	S	21	70	Tel Aviv	F	20	68
Bristol	S	21	70	Isle of Man	S	14	57	Nassau		–	–	Tenerife	F	22	72
Brussels	S	21	70	Istanbul	F	11	52	Newcastle	S	20	68	Tokyo	S	19	66
Buenos Aires		–	–	Jersey	S	20	68	New Delhi	S	33	91	Toronto †	S	15	59
Budapest	F	17	63	Johannesburg	S	16	61	New York †	R	11	52	Tunis	F	18	64
Cairo	S	25	77	Las Palmas	F	21	70	Nice	S	20	68	Valencia	R	17	63
Cape Town	C	16	61	Leeds	S	22	72	Nicosia	S	22	72	Venice	S	19	66
Cardiff	S	21	70	Lisbon	F	19	66	Oporto	S	19	66	Vienna	S	16	61
Chicago †	C	15	59	Locarno	S	20	68	Oslo	F	20	68	Warsaw	R	10	50
Cologne	S	21	70	London	S	21	70	Paris	S	21	70	Washington †	R	14	57
Copenhagen	S	18	64	Los Angeles †	S	13	55	Peking		–	–	Wellington	S	20	68
Corfu	S	19	66	Luxembourg	S	20	68	Perth	C	22	72	Zurich	S	17	63

C–Cloudy. Dr–Drizzle. F–Fair. Fg–Fog. H–Hail. R–Rain. S–Sunny. Sl–Sleet. Sn–Snow. T–Thunder.
† Noon GMT temperatures

Seoul markets hit by unrest

Continued from Page 1

poles, waged pitched street battles with police for the the third day since they were evicted after a wildcatstrike. Workers at Hyundai Motor Company, South Korea's largest automobile manufacturer, started a two-day strike in protest at Saturday's violent suppression of the shipyard strike.

The prospect of broader unrest was raised when Chonnohyop, a militant and illegal labour group, announced that workers at more than 500 companies had agreed to its call for a strike today.

I G Metall pay strike

Continued from Page 1

bly expensive drive towards German unity may help damp militancy.

I. G. Metall has built up a strike fund of about DM1bn ($590m) but is also in need of cash to prop up its sister union in East Germany.

Pressure on the employers will come mainly from overflowing order books although their resolve is also likely to be stiffened by the knowledge that an over-generous settlement will provoke the Bundesbank into an immediate raising of interest rates.

If the union does step up strike action it will probably take the form of "rolling" strikes in large companies and all-out strikes only in selected small companies, with little immediate impact on the rest of the economy. This will sidestep the new strike law and prevent retaliatory lock-outs by employers.

The more aggressive small employers will want to test I G Metall's real strength, especially in the light of repeated rebellions at local level over the union's tough stand against weekend working.

Such employers have threatened to leave the employers' federation if a major cut in working time is conceded, arguing that because most of them only work single-shift systems they will not be able to take advantage of the more flexible application of multi-shift systems which the union has offered.

FINANCIAL TIMES
COMPANIES & MARKETS

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INSIDE

Restructuring doubts hit Elders share price

Shares in Elders IXL, the Australian breweries group, lost 6 cents to close at A$1.68 (US$1.26) yesterday, reflecting fears that action by the UK regulatory authorities could derail the group's proposed financial restructuring. The fall left Elders' stock more than 30 per cent below its peak for the year, and worsened the problems of Harlin Holdings, the privately-owned parent company controlled by John Elliott, Elders' chairman. Page 31

Give and take in India

Reliance group, which flourished under India's former Prime Minister Rajiv Gandhi, seems to be losing its grip on Larsen and Toubro, the leading high technology engineering group it took over in 1988. The country's current Government wants to reverse what was India's largest takeover. But Dhirubhai Ambani (above), head of Reliance, is a corporate "street fighter" who will demand gain big concessions from the Government before he ceeds control of L&T. Page 24

Car wars in America

The US luxury car market, which at around 1m units a year is by far the world's most important to manufacturers, could grow by 10 per cent this year. But the price war already raging in it, partly as a result of fast emerging Japanese competition, is likely to become increasingly fierce over the coming months, with some European producers expected to be among the heaviest losers. John Griffiths reports. Page 23

The Collor of money

The Brazilian stock market is coming to terms with the economic measures introduced by the country's new President, Fernando Collor de Mello (left), on March 15. The programme, which included the blocking of private financial assets, changes to the currency, and tax increases, sent share prices tumbling. But local observers have started to take a more positive, long-term, view of Collor's plans, and stocks have begun to recover. Jacqueline Moore reports. Back page

LTV blames fall on motor sector

LTV, the steelmaking group which is operating under Chapter 11 of the US bankruptcy code, yesterday reported a 42 per cent drop in first-quarter net income. The conglomerate, which also makes aircraft products, electronics and oilfield service equipment, blamed the drop on lower operating results from its steel business, partly because of the softening automobile market. Page 23

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)							
Rises				Un.Texas Pet.	20⅛	+	2¼
Beiersdorf	811	+	5	Utd. Health	10⅝	+	⅝
Colonia Vers	1035	+	45	**Falls**			
Falls				Korea Fd.	16⅞	−	1
DLW	810	−	24	**PARIS (FFr)**			
Horten	282	−	30	**Rises**			
Philips Komm	534	−	5	Coparex	550	+	30
Thyssen	287	−	5	Pechelbronn	1850	+	27
Volkswagen	555.5	−	4.5	Union Immob	698	+	26
Zanders	330	−	14	**Falls**			
NEW YORK ($)				Bouygues	636	−	14
Rises				Club Med	695	−	17
Baltimore Bk.	15	+	3¼	Peugeot	860	−	11
Nashua	40⅜	+	⅞	Saint Louis	1519	−	29
Pepsico	65⅜	+	⅞	UFB	461	−	9

New York prices as at 12.30pm. Tokyo markets closed.

LONDON (Pence)							
Rises				Hanson	211	−	2½
Bass	935	+	20	Hardy Oil & Gas	185	−	5
Boots	254	+	6	Hawker Siddeley	803	−	2
Cookson	191	+	4	Hazlewood	138	−	21
ICI	1080	+	20	LASMO	559	−	[illegible]
Smith (W.H.)	298	+	12	Lucas Inds.	592	−	[illegible]
Falls				Royal Ins.	424	−	14
Allied Irish	235	−	14	[illegible]	139	−	[illegible]
Bank Ireland	236	−	7	Trst. House	287	−	6
BTR	396	−	3	Warburg (S.G.)	400	−	10
Coloroy	110	−	10	Whitbread "A"	364	−	6
GKN	383	−	7				
Greycoat	400	−	17				

Allianz and Mixte pool French insurance

By William Dawkins in Paris

ALLIANZ of West Germany, Europe's biggest insurer, and Navigation Mixte, the French financial-services-to-food conglomerate, are to pool their French insurance operations.

If agreed by shareholders, the deal will create a group with an annual premium income of FFr10bn ($1.8bn), putting the joint venture among France's top 10 insurers by premium income.

This would include FFr8bn from Navigation Mixte, a specialist in life, fire and accident insurance for private individuals, plus FFr2bn from Allianz's French activities, concentrated on industrial risks. The deal is the latest evidence of foreign insurers' interest in France, where the insurance industry has been swept by a wave of alliances over the past two years.

These deals have been mostly motivated by the search for size, in reaction to deregulation of European insurance, and have left independent players like Navigation Mixte looking small and vulnerable.

Yesterday's move is an important step in Allianz's policy of enlarging its European coverage. It enlarges on the German group's acquisition last November of a 50 per cent stake in Navigation Mixte's French insurance operations. These include Via Assurances, Rhin & Moselle and a string of smaller companies. Allianz later helped Navigation Mixte beat off a hostile bid from Paribas, the leading French investment bank.

Allianz will own 65 per cent of the new group – the name od which has yet to be fixed – while Navigation Mixte will hold 34 per cent, with the remaining 1 per cent going to as yet unnamed outside shareholders. The merger is likely to be completed by the end of the year.

"Our activities are clearly complementary," said Navigation Mixte. "From the very beginning, the intention was to merge," said Allianz.

The merger adds a twist to a long-running battle between Navigation Mixte and Paribas, the leading French investment bank, which holds 40 per cent of the conglomerate following an abortive bid last year.

Navigation Mixte launched a counter-bid in response. It picked up a 12 per cent stake in the bank which it still holds. Allianz refused to sell its nearly 10 per cent stake in Navigation Mixte to the bank, so playing an important part in repelling the unwelcome boarder.

Allianz said that the stock market battle stopped it from getting round to agreeing with Navigation Mixte on merging their French insurance businesses until now.

Mr Emmanuel Gautier, president of Navigation Mixte's Via Rhin & Moselle subsidiary, will head the new company, assisted by Mr Pierre-Yves Soleil, currently president of Allianz RAS Holding France, said Allianz. Neither side are releasing financial details of the deal at this stage.

Warren Buffett's art of compounding success

Roderick Oram reports from Omaha, Nebraska, at the annual meeting of the best-known US investor

With the unpretentious geniality of the man-next-door hosting an open house for his friends and neighbours, Mr Warren Buffett stood in the lobby of the Orpheum Theatre in Omaha, Nebraska, yesterday morning greeting more than a thousand shareholders arriving for the annual meeting of his company, Berkshire Hathaway.

"Good to see ya," he said time after time as he recognised people who paused to greet him warmly in the gloomy lobby. Once a vaudeville venue, the ornate old theatre, it was about to house another type of entertaining spectacle: three hours of the wit and wisdom of Warren Buffett, arguably the most successful and admired post-war US investor.

Since Mr Buffett took over the company, an ailing textiles maker, 25 years ago shareholders' equity has grown from $19.46 a share to $4,296.01, or 23.3 per cent compounded annually. Last year, as a diverse manufacturing and investment company, shareholders' equity grew by 44.4 per cent, or $1.52bn, thanks to hefty appreciation of its holdings in Coca-Cola and other blue chips.

With 42 per cent of the the company's stock to his name, Mr Buffett, 59, is worth around $4bn. But with unruly greying hair, crumpled grey tweed jacket and a can of Cherry Coke in his hand as he stood in the lobby he looked more like a master of school boys than the universe.

Inside the 2,700 seat there were no flashy logos or screens for corporate videos. The huge stage was bare except for a table draped in yellow. Soon, Mr Buffett took his seats at the table to enthusiastic applause. A small hitch with the sound system delayed proceedings. "That's why we don't buy technology stocks," Mr Buffett reassured shareholders as the problem was fixed.

In his usual fashion, Mr Buffett took only four and a half minutes to deal with formal business such as re-electing the six directors.

"Since the events in Eastern Europe, this might be the last bastion of unadulterated authoritarianism," Mr Buffett said as he moved rapidly on to its real meat, the questions and answers.

The first yesterday was from a young New York lad, a third generation shareholder. "I'd like to ask why Berkshire is going down," he said commenting on the slide in its stock price from a 12-month high of $8,900 a share to $6,700 yesterday. For the boy and other shareholders, admiring Mr Buffett's disdain of the markets and his utter conviction in long-term investments, it was not a serious question and they all laughed loudly.

"I have no good answer for that as I have no answer for why any stock goes up and down," he replied. Last year Berkshire's stock rose some 70 per cent before falling back but over five years or so it will "reasonably approximate its intrinsic value. Hold it for your old age," he advised his young shareholder.

His answers demonstrated an encyclopaedic knowledge of his own businesses and wider issues. He did not hesitate to poke fun at those whose business ways he considers less than honourable. Speaking of junk bond issuers, he said "many of the owners of those businesses are not staying awake at night wondering about how to pay you back."

But he too was subjected to a few pointed questions about a type of deal he chose to do last year which brought him criticism for the first time in his career.

He became a "white squire," buying large chunks of preferred shares convertible into common stock in companies vulnerable to takeover – Gillette, the toiletries group, USAir, a US airline, and Champion International, a large paper company.

He had first used the technique to buy $700m of such securities in Salomon, parent of the Wall Street investment bank Salomon Brothers, shortly before the 1987 crash and shortly after Mr Ronald Perelman, the corporate raider, had tried to buy into the firm.

In each case Berkshire Hathaway bought preferred shares yielding between 8¾ per cent and 9¼ per cent in annual dividends and convertible into common stock stakes of between 8 per cent and 12 per cent.

Mr Buffett says he likes such deals for their guaranteed, though modest, returns and their equity kickers. He joined the boards of two of the four companies.

Quiet mumblings of discontent about his foray into Salomon erupted into angry suggestions that he had compromised his principles when he did the other three deals in quick succession last year. He was, critics said, accepting financial terms far more favourable than any other shareholder could get and, through the equity conversions, protecting incumbent managements.

Others, enthralled by their hero's rigorous investment technique and abundant success, were troubled by his selection of companies. These were not the type of enterprises with uniquely powerful market positions and talented managements that had built his reputation. Two – USAir and Champion – are among the poorest performers in their industries.

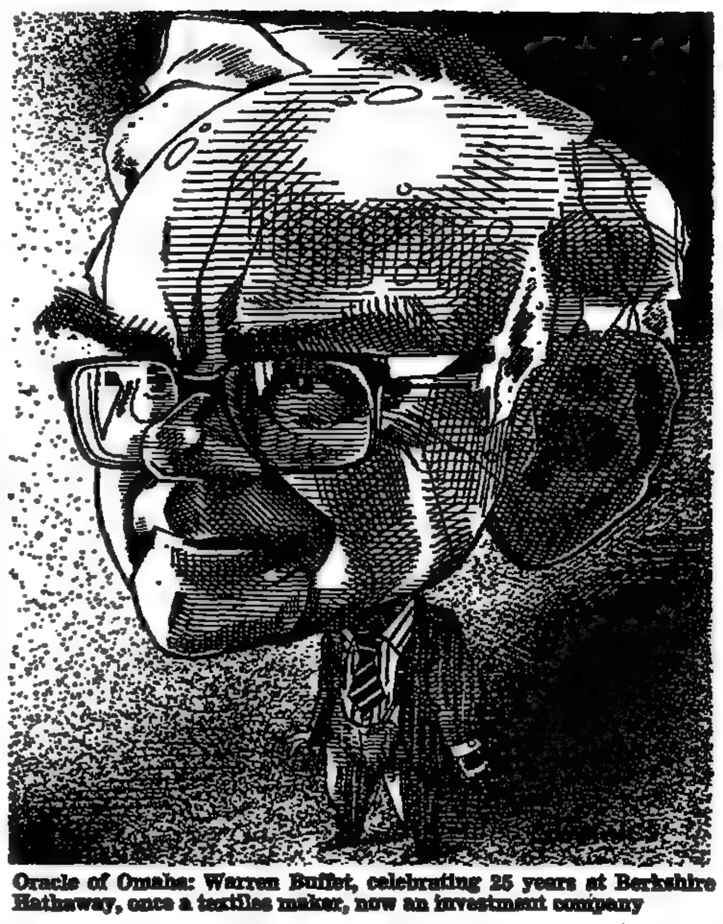
"We do not have a view on the future economics of these businesses," Mr Buffett told the annual meeting. But he said he had confidence in the managements to achieve at least the results of their peers.

"They are trusting us to be intelligent owners, thinking about tomorrow instead of today, just as we are trusting them to be intelligent managers, thinking about tomorrow as well as today," he wrote in the annual report.

His report had also contained "A Condensed Version" of his errors over the past 25 years. Top of the list was buying Berkshire in the first place. It was a bargain because it was a textile company about to be wiped out by imports and other unfavourable factors.

"When a management with a reputation for brilliance tackles a business with a reputation for bad economics, it is the reputation of the business that remains intact. I just wish I hadn't been so energetic in creating examples."

Yesterday, as over the past 25 years, shareholders were happy to forgive Mr Buffett that failure, even though, as he put it: "My behaviour has matched that admitted by Mae West: 'I was Snow White, but I drifted.'"



Oracle of Omaha: Warren Buffet, celebrating 25 years at Berkshire Hathaway, once a textiles maker, now an investment company

ICI first quarter pleases markets

By Peter Marsh in London

IMPERIAL Chemical Industries, Britain's biggest manufacturing group, cheered the stock market yesterday with first-quarter pre-tax profits substantially better than many analysts predicted.

The result for the three months to March 31 was £414m ($660m) represented a 6 per cent fall on the £442m for the corresponding period in 1989 but was sharply ahead of stock market forecasts of around £360m. The FT-SE Index recovered early losses after the news, ending the day 3.2 lower at 2103.4.

ICI, the world's fourth biggest chemicals company, is considered a bell-wether of the UK economy. Its fortunes also indicate the health of the international chemical industry, one of the largest manufacturing sectors worldwide and one which sells most of its output directly to other production businesses.

In the past year, many large chemicals companies have had a difficult time. Prices and profits in many types of bulk chemical have fallen, indicating weakening demand in many countries.

Yesterday's announcement was interpreted as a sign that ICI's strategy of steering away from low-margin, high-volume chemicals, such as plastics, towards higher-value products was showing signs of working.

The units of the company concerned with high-value materials – chiefly pharmaceuticals and agrochemicals – increased profits significantly, helping to offset the decline in earnings from other parts of the group.

Some analysts were concerned, however, at the steepness of the decline in performance of parts of the grou which make basic, high-volume industrial chemicals.

These units produced dismal results for the quarter.

ICI had sales of £3.45bn (£3.21bn) in the first three months. Earnings per share declined by 3.1 per cent, from 39.2p to 38.1p. The company's shares fell sharply by 14p in early trading yesterday, in anticipation of the results, but rose to close at 1080p, up 20p on the day.

Sir Denys Henderson, ICI's chairman, was cautious in his interpretation of the results. He said they were "relatively encouraging in a period of considerable economic uncertainty."

The profit figure was also helped by a £20m payment from Ciba-Geigy arising from the sale to the Swiss company of ICI's UK non-prescription drugs business.

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Allied Irish Banks makes bid of $217m for Baltimore Bancorp

By David Lascelles in London

ALLIED Irish Banks, one of the Big Two Irish banks, yesterday announced a $217m bid for Baltimore Bancorp. If successful, it would be its second major acquisition in the US.

The bid will be financed by a IR£162m ($253m) rights issue which is believed to be the largest equity financing ever made by an Irish company.

AIB is making the bid, which it described as unsolicited but friendly, through First Maryland Bancorp, the US bank in which it acquired a 100 per cent interest last year. The bid is worth $17 a share, compared to $10.25 at which the shares closed last Friday. It values Baltimore Bancorp at slightly above net tangible assets.

The offer received a frosty reception. Mr Harry Robinson, Baltimore's chairman, said in a letter to Mr Jeremiah Casey, his First Maryland counterpart: "The approach of delivering an offer to me and to my directors, on a Friday afternoon, before even having the courtesy to telephone me, the suggestion of a May 2 deadline for a response, and your immediate distribution of a press release could have only been designed to create a hostile atmosphere and to place pressure upon us.

Please rest assured that we will not be cowed by these tactics."

AIB, which already owns 4.9 per cent of the Baltimore bank, said the proposed acquisition was a major strategic move by First Maryland, which would strengthen its operations in Maryland, one of the fastest growing retail banking markets in the US. Together, the two banks would have assets of over $10bn, reinforcing First Maryland's existing position as number two in the Maryland market.

AIB's rights issue will consist of 92.5m new shares on the basis of one for six priced at IR175p per share. This is a discount of 32 per cent from the closing price last Friday. Yesterday the company's shares fell 14p to 235p on the London exchange.

In connection with the rights issue, AIB announced that its profits for the year ending March 31 are expected to be IR£237m, an increase of 52 per cent on the previous year's IR£156m. This consists of a group profit of IR£278m offset by a IR£41m provision for Latin American debt. Earnings per share are expected to be IR24.4p, up 39 per cent. Mr Gerry Scanlan, chief executive, said the results reflected a higher level of earning assets, strong growth in non-interest income and continued control of costs.

The board intends to recommend a final dividend of IR4.25p, bringing the total for the year to IR7.50p, a rise of 22 per cent.

Baltimore Bancorp had total assets of $3.5bn at the end of 1989, a year in which it earned net income of $17.6m. It has 51 branches.

Lex, Page 24

US oil company could fetch $2bn

By Alan Friedman in New York

SHARES IN Union Texas Petroleum, one of the largest independent US oil and gas producers, jumped by nearly 13 per cent yesterday after the board said it would explore the sale of the company. No prospective buyers were named.

The company's share price rose by 2¼ points to $20⅛ as oil industry analysts began estimating that a sale could fetch as much as $25 to $26 per share. This would value the equity of Union Texas at $2.1bn, compared to its market capitalisation yesterday of $1.69bn.

Union Texas, based in Houston, had long-term debts of around $500m at the end of 1989 and $275m of redeemable preferred stock. Since 1985 the company has been 40 per cent controlled by Kohlberg Kravis and Roberts (KKR), the takeover specialists, and 40 per cent by Allied-Signal, the engineering and aerospace conglomerate. The remaining shares are publicly quoted.

Union Texas said it was engaging investment bankers to advise it on a possible sale and to examine "other alternatives for enhancing the value of the equity of the company."

Analysts said yesterday that KKR might have decided the time had come to cash in on its investment in Union Texas, made in 1985. An encouragement for the move might have been the recent purchase by the Chinese Petroleum Corporation of Taiwan of Huffington, a privately held Texas real estate and oil company.

This sale, believed to have fetched around $800m, included among its assets a 16.67 per cent interest in an Indonesian production-sharing joint venture located in East Kalimantan. Union Texas holds a 38 per cent stake in the East Kalimantan venture.

Last year Union Texas reported $172.6m of net income, an increase of 58 per cent, on $1.16bn of revenues. Union Texas has oil and gas and petrochemical interests in the US as well as energy interests in the North Sea, Indonesia and Pakistan.

INTERNATIONAL COMPANIES AND FINANCE

Sofigen acquires 74% of French bank from Cerus

By William Dullforce in Geneva

CERUS, the French holding company controlled by Mr Carlo De Benedetti, is selling 74 per cent of its wholly owned Banque Duménil Leblé for about FFr750m ($132m) to Société Financière de Genève (Sofigen) in a reshuffling of the Italian financier's foreign investments.

The realignment, which will effectively transfer cash from Sofigen to Paris, was seen in Geneva as part of Mr De Benedetti's efforts to consolidate his empire after his duel with Mr Silvio Berlusconi for the control of Mondadori, Italy's biggest publishing group, his failure to take over Société Générale de Belgique and the 40 per cent plunge in the earnings of Olivetti, the Italian computer manufacturer.

Originally established in Geneva as a hard-currency base for the De Benedetti group focused on investment opportunities in the D-Mark and Benelux areas, Sofigen will become more or less a passive holding company.

Sofigen said yesterday that the operation aimed at forming, from a Swiss base and within the Cerus group, a unit "inspired by the experience of purely financial holding companies supported by a European banque d'affaires."

Cerus has raised its stake in Sofigen from about 32 per cent to 75 per cent since the beginning of the year, following its merger in December with Banque Duménil Leblé. Last week Cerus posted consolidated net earnings of FFr1bn for 1989.

Mr Alain Minc, president of Cerus, will take over from Mr De Benedetti as chairman of Sofigen, while Mr Jacques Letertre, President of Banque Duménil Leblé, will replace Mr Tony Kirk as managing director. Mr Kirk will remain on the executive board.

Banque Duménil Leble's assets will make up roughly two-thirds of Sofigen's new balance sheet. The Geneva company also holds 9.6 per cent of Compagnie de Banque et d'Investissment (CBI), which recently took over control of TDB American Express, Switzerland's biggest foreign bank, and some 7 per cent of Brown Shipley, a UK merchant bank.

So far Sofigen's biggest single asset has been its 4.9 per cent holding in De La Rue, the British banknote printing company, for which the UK stock market has been expecting a takeover bid to be made for months.

Yesterday Sofigen reported a 1989 consolidated profit of SFr18.5m ($12.7m), up from SFr14.4m in 1988, but announced that the profit would be reduced to SFr4.8m after certain holdings had been adjusted to their current market value.

These provisions are understood to have been mainly for De La Rue.

BMW lifts net profit by 23% to DM558.1m

BAYERISCHE Motoren Werke (BMW), the West German luxury car maker, boosted 1989 group net profit by 23 per cent to DM558.1m ($333m) from DM454.9m the year before, the annual report said, Reuter reports.

Group sales rose 5 per cent to DM26.5bn from DM24.5bn. BMW's accounts are published on a worldwide basis for the first time.

The report also said that 1989 operating profits rose about 30 per cent to 1.6bn. Production increased to 511,476 cars from 484,121 in 1988, and deliveries of cars rose to 522,211 from 495,787.

Sales of motorcycles rose to more than 25,000 units after problems in the past.

BMW expects a continued good year in 1990 with high demand and orders in hand for cars and motorcycles.

In the first quarter of 1990 production and deliveries surpassed figures for the same period last year. Worldwide sales in the first quarter rose accordingly, and all models contributed to a strong rise in earnings, BMW said.

The company's strong earnings meant it was in a position to safeguard its competitive position through large investments, BMW said.

Interest earnings surged last year to DM146.1m from DM35.8m the previous year, partially due to the company's high liquidity. The 1989 cash flow was DM2.36bn but no comparison with 1988 was available.

STORA TERMS FOR REMAINING 15% DISAPPOINT SHAREHOLDERS

DM540 for Feldmühle minority

By David Goodhart in Düsseldorf

STORA, the Swedish pulp and paper group, said yesterday that it has now acquired 85 per cent of the West German conglomerate Feldmühle Nobel, but surprised and disappointed holders of the outstanding 15 per cent by announcing it would be offering only DM540 per share despite having paid an average of DM567 per share for the rest.

An extraordinary, and most un-German, eleven months of pass the parcel with Feldmühle Nobel thus appears to have reached its conclusion with the two main German actors – the Flick Brother financiers and the Veba energy-based conglomerate – considerably richer and Stora now claiming fourth place in the world pulp and paper market.

The story began when the Flick Brothers, grandsons of the famous German industrialist Friedrich Flick, acquired a 40 per cent stake in Feldmühle Nobel at the end of 1988 and beginning of 1989. The brothers, Friedrich Christian and Gert-Rudolf, had a double motive in acquiring the stake.

First, they wanted to prove that management-shaking hostile takeovers are not, as many believe, impossible in Germany. Second, they wanted to settle a family score with Deutsche Bank which had bought the three companies built up by Friedrich Flick – Feldmühle (paper), Dynamit Nobel (chemicals and explosives) and Buderus (construction and kitchen equipment) – and then packaged them together and floated them off at a large profit.

The Flick Brothers believed Deutsche Bank did too well out of the deal and created an illogical conglomerate which, they claimed, was uninspiringly managed after the flotation.

By selling their stake to the highly regarded Veba conglomerate, which with shares of its own had more than 50 per cent, they expected a thorough shake-up at Feldmühle Nobel. This was despite the 5 per cent "poison pill" voting restriction which prevents owners interfering with managers in many large German companies.

In fact the 5 per cent rule proved more effective than the Flicks believed and after Veba flunked an opportunity to strike it down at a shareholders meeting, partly because Veba feared questions might be asked about its own 5 per cent rule, the planned takeover was stalemated.

Mr Klaus Pilz, the new Veba boss, said yesterday that Veba was "restricted" by the 5 per cent rule and with little synergy in the merger said that buying out the outstanding shareholders could not be justified. He also claimed that new investment in East Germany was now more important.

Behind these arguments lies a change in strategy which is probably connected with the sudden death last autumn of the former Veba boss, Mr Rudolf von Bennigsen-Foerder, who had seen in Feldmühle's paper business a potential fifth leg for Veba.

Mr Pilz, perhaps deterred by increasing concentration in the world paper market, decided to seek out buyers from that market. Stora won the auction despite competition from the rival Swedish company SCA, the US group Scott Paper and others.

By selling its 50 per cent stake Veba has made a near DM400m ($238.7m) return on its DM1.4bn investment over 11 months. Stora bought a further 25 per cent from US investment funds and the Flick Brothers provided another 5 per cent (Mr Friedrich Christian Flick will join the Feldmühle Nobel board).

The Feldmühle Nobel management has looked on rather bemused and irritated by all these deals but seems, according to analysts, to have been inspired to start the restructuring process itself.

And despite the apparent blow to supporters of German hostile takeovers the Flicks may have played some role in Deutsche Bank's recent decision to come out against the voting restriction system it has always hitherto supported.

Nestlé pulls proposed rights issue

By William Dullforce in Geneva

NESTLE, the biggest Swiss company, announced yesterday that it was withdrawing its proposal for a one-for-20 rights issue because of "the deteriorated situation on the (Swiss) stock market." The proposal was to be put to the shareholders' meeting on May 31.

The foods group's decision to renounce its capital increase comes only 10 days after Ciba-Geigy, the biggest Swiss chemicals company, announced that it was pulling its proposed one-for-15 rights issue. Earlier Alusuisse-Lonza, the aluminium and chemicals group, had said that it was postponing its capital increase.

Analysts calculated that Nestlé was expecting to raise some SFr1bn ($680m) while Ciba-Geigy would have been looking for around SFr630m.

The spate of demands for fresh capital had been widely seen as an important factor in depressing the Swiss equities market and analysts yesterday saw the Nestlé move as a positive influence for share prices.

Nestlé said, when announcing the rights issue in March, that it would only proceed if conditions were favourable. At that time the Nestlé registered share was trading at SFr8,375; yesterday it closed at SFr7975.

The capital increase had been meant to improve the company's financial structure and provide for possible ulterior needs, Nestlé said, but, according to a spokesman, the company did not need the money immediately. Legal action by a small group of shareholders has so far blocked the company's earlier decision to issue reserve shares.

LVMH refuses approval of Vuitton results

LVMH Moët Hennessy-Louis Vuitton, the French luxury goods group, declined to approve the 1988 results of its 98 per cent-owned luggage unit Louis Vuitton at a long-postponed Vuitton shareholders' meeting yesterday, Reuter reports.

The accounts presented by Vuitton reported a 52.6 per cent rise in attributable net profit to FFr948m ($167.7m) in 1988.

Neste pre-tax profits advance to FM2bn

By Enrique Tessieri in Helsinki

NESTE, the Finnish state-owned oil and chemicals group which is the country's largest company in sales terms, said profits before reserves and taxes rose 44 per cent to FM2bn ($502m) in 1989.

Consolidated sales rose 31 per cent to FM34.88bn from FM26.63bn in 1988. Neste attributed the improved financial result on oil inventory profits, which were spurred by favourable global spot oil market prices.

Sales in the oil trading and supply division surged by 50.7 per cent to FM15.51bn, while chemicals division sales advanced 27.5 per cent to FM7.29bn.

Neste, which is not publicly quoted, did not reveal any divisional pre-tax profit figures.

Group investment was down from FM3.57bn to FM2.63bn.

COMPANY NEWS IN BRIEF

Renault said it would pay its shareholders – the French state and its employees – their first dividend since 1980 Renault's status as a "regie" or state agency was reformed by parliamentary bill last week to allow a wide-ranging partnership with Sweden's Volvo, Reuter reports.

The dividend payout will total FFr750m ($133.39m). Of this, FFr742m will be for the state and FFr4.8m for employee shareholders. Renault last month announced 1989 group net profit of FFr9.30bn, up from FFr8.83bn in 1988.

■ Banco Central, the big Spanish bank, more than doubled first-quarter pre-tax profit to Pta30.19bn ($2.84m) from Pta14.02bn. The bank said the latest figure included profits on minority holdings of Pta4.8bn, against Pta1.9bn a year earlier, Reuter reports.

Cash flow in the first quarter was Pta49.25bn against Pta22.34bn, and total revenue rose to Pta175.63bn from Pta116.64bn.

■ Hydro Aluminium, one of three divisions within the light metals business of Norsk Hydro, is considering a number of investments to modernise plant and increase aluminium production to 915,000 tonnes annually from 630,000, writes Karen Fossli in Oslo.

Investment for domestic projects at the Sunndalsoere and Aardal plants is estimated at between NKr7bn ($1.072bn) and NKr8bn, plus additional investment of between NKr1.5bn and NKr2bn to expand energy supply which would be needed to fuel additional production capacity.

■ Norske Skog, one of Scandinavia's largest pulp and paper producers, is to boost capital by NKr3bn to help finance a NKr6bn investment programme for 1990-1993 while attracting foreign investors to the company, writes Karen Fossli.

Norske Skog said about 50 per cent of its investments would be financed through cashflow, while NKr2bn would be raised by borrowing and NKr1bn by separate share and bond issues.

Norske Skog said a significant part of the investment programme was to expand capacity at three domestic pulp and paper mills.

Corange expands with acquisition of UK group

By Peter Marsh

CORANGE, a large West German healthcare and drugs company, has consolidated its position in the world's $1bn-a-year market for artificial hip-joints through the purchase of Chas. F. Thackray, a private UK group.

The price for the acquisition, agreed yesterday, has not been disclosed but is thought to be about £75m ($125.7m). The UK company, based in Leeds, Yorkshire, has annual sales of about £30m and employs 540 people, mainly in the Leeds area.

Corange – better known by the name of its trading arm, Boehringer Mannheim – has its headquarters in Mannheim and is registered in Bermuda. It is one of the world's top three companies in replacement hip joints, the others being Pfizer and Bristol-Myers Squibb, two US healthcare companies.

Mr Curt Engelhorn, chairman of the privately owned Corange, said yesterday that Thackray's operations fitted in well with those of DePuy, Corange's orthopaedic-products subsidiary. DePuy is based in the US and gains most of its sales from that country.

Corange has annual sales of about $2bn, mostly accounted for by diagnostic systems and medicines. The UK acquisition would enable Corange to expand in hip joints in areas where Thackray is strong, said Mr Engelhorn. Besides Britain, these included Scandinavia and Japan.

Thackray was founded in 1902 by Mr Charles Thackray, a pharmacist. The company moved into artificial joints in the 1960s. In recent years it has pioneered development of "tailor-made" hip joints which are machined from steel to fit patients exactly.

About 400,000 people a year worldwide receive an artificial hip. The numbers are rising by 15 per cent annually as more people, particularly the elderly, are advised to have a a replacement for a hip joint that has become worn or defective.

INTERNATIONAL COMPANIES AND FINANCE

Gardini to press on with Enimont capital increase

By John Wyles in Rome

MR RAUL Gardini appears set to try to steamroller through a controversial L10,250bn ($8.25bn) capital increase for Enimont, the Italian public-private chemicals joint venture, despite the continued opposition of Eni, the state energy group which owns 40 per cent of the company.

Yesterday's extraordinary shareholders' meeting to consider the proposed capital increase was adjourned until tomorrow because of the absence of a quorum.

Since Mr Gardini's Montedison and his allies lack the 65 per cent of votes needed to adopt the increase, tomorrow's meeting will also lapse.

Montedison's legal advice is believed to indicate that the proposal could be adopted by a simple majority at a third extraordinary convocation. Montedison and allies hold just over 51 per cent of Enimont.

Since Eni and Montedison have scarcely succeeded in maintaining a diplomatic tone in their public exchanges in recent weeks, it is hardly surprising that they are still failing to agree on Mr Gardini's proposal that around half of the capital increase should fund Enimont's acquisition of Montedison's chemicals interests.

Eni would be bound to try to challenge in the courts any attempt to push through the Gardini strategy by a simple majority.

In the meantime, some Eni board members have been trying to foment a public row over differences in valuations placed on the Montedison chemicals companies by a team of experts appointed by the Milan Tribunal and another group recruited by Enimont which is headed by Morgan Stanley.

The Tribunal offered a maximum estimate of L5,395bn while the highest Morgan Stanley group figure was L4,025bn. The difference is largely explained by the fact that the Enimont valuation did not include all of the companies examined by the Tribunal valuers.

Mr Sergio Cragnotti, Enimont's managing director of Gardini affiliation, yesterday stressed that, despite all appearances, normal life at Enimont was continuing with due efficiency.

He drew attention to the Enimont board's 14 hours of labour over the weekend which resulted in adoption of a 1990 budget containing a L1,500bn programme of disposals, and capital increases for operating subsidiaries totalling L500bn.

PepsiCo up 10% in first quarter

By Martin Dickson in New York

PEPSICO, the world's second largest producer of soft drinks, yesterday announced a 10 per cent rise in first-quarter net income, helped by strong growth in US drinks sales and a rise in restaurant earnings.

Net income totalled $181.9m on sales up 24 per cent at $3.7bn, with earnings per share rising from 62 cents to 68 cents. The company said per share earnings had been diluted by about 12 cents from acquisitions made last year, notably the $1.35bn acquisition of the British snack food companies Walkers and Smiths Crisps.

Operating earnings rose 26 per cent – 22 per cent without acquisitions – and Mr Wayne Calloway, the chairman, said 1990 should be another year of record profits.

Soft drink sales were up 25 per cent at $1.3bn, with operating profits 27 per cent ahead at $151.5m. Excluding acquisitions, sales were up 8 per cent, but operating profits rose 24 per cent.

US domestic profits, driven mainly by strong volume growth, were up 32 per cent on an 8 per cent sales gain, recent acquisitions excluded. However, international profits were down, when compared to what the company said had been a very strong first quarter of last year.

Snack foods operating profits were up 20 per cent at $186.4m, while sales rose 27 per cent to $1.1bn. Excluding the Smiths and Walkers acquisition, both sales and profits were up 14 per cent.

Strong volume growth internationally was a significant factor behind the rise, while higher advertising and marketing costs and a shift towards lower margin products held back the US side.

PepsiCo's three restaurant chains – Pizza Hut, Kentucky Fried Chicken and Taco Bell – all increased profits by 37 per cent or more, with the international side advancing by 50 per cent and domestic profits up 37 per cent. The strongest growth came from Taco Bell, where operating profits were up 48 per cent to $16.4m.

Western Union to recapitalise

By Martin Dickson

WESTERN UNION, the US telecommunications company which was acquired in 1987 by Mr Bennett LeBow, a leading junk bond financier, yesterday unveiled a recapitalisation plan designed to keep it from filing for bankruptcy.

The company, which is being crippled by interest payments and a decline in its telex business, is seeking to exchange $500m of junk bond notes which were issued through Drexel Burnham Lambert in 1987 when Mr LeBow and partners gained control of the company with a $25m equity investment.

Under a "reset" mechanism, Western had to raise the interest on the bonds from 16.5 per cent to 19.25 per cent last summer, at which level the notes were supposed to trade at par. However, they have recently been trading at around 38 cents on the dollar.

Under the proposed recapitalisation, the holders of those bonds and a $30m issue of 16 per cent notes would receive a package consisting of notes with a much lower coupon and a rather longer life, plus some equity. For each $1,000 principle amount of the bonds, which are due in December 1992, they would receive $400 of 13 per cent notes, due September 1992 and $600 of 5 per cent notes due December 1996, plus 150 common shares.

The new notes, which would not pay interest until the end of next year, could have their maturities extended by the company.

The company also wants the removal of covenants which require it to purchase $100m of the 19.25 per cent bonds if its net worth falls below a specified level in two consecutive quarters. It violated this provision in the first quarter of this year.

The plan also includes reclassification of the class A and class B preferred shares into common stock to eliminate accrued dividend arrears.

Apart from its heavy interest burden, Western Union has been hit hard by a shift away from its telex services to facsimile transmission of data and increased competition in money transfer and electronic mail operations from American Express and MCI Communications.

Dofasco down to C$876m

By Robert Gibbens in Montreal

DOFASCO, Canada's biggest steelmaker, says demand for flat rolled products softened significantly in the first quarter with earnings falling to C$3.3m (US$2.8m), or 5 cents a share from C$6.3m or 10 cents a year earlier. Revenues declined to C$876m from C$991m last time.

Dofasco said most selling prices were lower. The high Canadian dollar was making it more difficult for customers to compete in the US market, and high interest rates were restraining capital spending.

The car industry had slowed its first-quarter production but demand had improved recently. Demand for tubular products from the oil and gas industry, however, had weakened. Dofasco is pushing offshore rolled products exports but margins are thin.

LTV books 42% drop and blames motor sector

By Martin Dickson

LTV, the steelmaking group which is operating under Chapter 11 of the US bankruptcy code, yesterday reported a 42 per cent drop in first-quarter net income.

The conglomerate, which also makes aircraft products, electronics and oilfield service equipment, blamed the drop on lower operating results from its steel business, partly because of the softening automobile market.

Net income declined to $44.2m, from $76.6m in the same quarter of last year, on sales of $1.5bn, against $1.6bn, which brought earnings per share down to 32 cents from 61 cents last time.

Operating income from the steel business was $41.1m, against $87.1m in the same period of last year, while sales fell from $1.03bn to $981m. The company's facilities operated at 89 per cent of capacity during the quarter, compared with 93 per cent a year earlier.

The aircraft products side had an operating loss of $4.8m, reduced from $25.1m in the same quarter last year. Operating income from missiles and electronics declined to $6.2m from $6.6m, while energy products produced income of $1.7m, up from $1m.

Mr Raymond Hay, chairman, said the Supreme Court might rule by the end of June on a battle between the company and the Pension Benefit Guarantee Corporation, a federal government agency. The issue, he said, remained the largest obstacle to LTV's emergence from Chapter 11 protection. It filed for Chapter 11 in 1986, partly due to a $2.3bn shortfall in its pension plans.

Elders IXL shares fall on fears over restructuring

By Kevin Brown in Sydney

SHARES IN Elders IXL, the Australian breweries group, lost 6 cents to close at A$1.68 (US$1.29) yesterday, reflecting fears that action by the UK regulatory authorities could derail the group's proposed financial restructuring.

The fall left Elders' stock more than 30 per cent below its peak for the year, and worsened the problems of Harlin Holdings, the privately owned parent company controlled by Mr John Elliott, Elders' chairman.

Harlin's 55 per cent stake in Elders – its only asset – is now valued at just over A$2bn, compared with debt of more than A$2.8bn raised to finance the purchase.

The latest fall in the share price followed the announcement in London on Friday, after the Australian markets had closed, that a proposed £366m (US$592m) pubs-for-breweries deal between Elders and Grand Metropolitan is to be investigated on competition grounds.

The deal would have involved the purchase of GrandMet's UK breweries by Courage, an Elders subsidiary, and the merger of the two groups' 8,500 British pubs in a joint company to be managed by GrandMet.

The UK Government's decision to order an inquiry by the Monopolies and Mergers Commission is the third time an Elders' attempt to strengthen its position in the UK brewing market has been subjected to official scrutiny.

The latest investigation was regarded as serious because the GrandMet deal is central to Elders' plans for a capital reconstruction which would provide Harlin with funds to reduce its heavy borrowing.

Elders said it was disappointed by the UK Government's decision to seek an investigation of the proposals, but remained convinced of the sound logic of the deal, and confident that the reconstruction would continue.

However, analysts said the pressure on Elders was likely to be increased by a fall in the share price of BHP, Australia's biggest company, which has a A$858m preference share holding in Harlin. BHP shares fell 16 cents yesterday to A$8.74, compared with a 1990 peak of A$10.20.

BHP said it had discussed its stake with Harlin, but remained confident in the underlying value of Elders' assets and the possibility of a commercial solution to the group's problems.

Battle lines are drawn for car wars

John Griffiths finds manufacturers fighting in a tougher US market

Next week, some 1,500 workers at the UK's Rover cars group will become temporary beneficiaries of a luxury car market war gaining ominous momentum in the US.

The workers, assembling Rover's 800 range cars – sold as Sterlings in the US – will be laid off on full pay for most of the week to reduce stocks. The same will happen on one week in June and again in July – as it did, briefly, just before Easter and at the end of last year.

The temporary lay-offs decision is aimed primarily at keeping 800/Sterling stocks at a comfortable level in the UK.

But it also reflects the fact that Rover, as one company executive acknowledges, "is having to fight like hell for every sale in the States" – and not succeeding at anything like the rate it hoped.

Yet Rover's problems form only a small part of an intensifying market struggle in the US which threatens to embroil all luxury car importers.

At the strictly financial level, it threatens seriously to damage profit margins. But it also has political ramifications with, for example, Mr Eberhard von Kuenheim, the chairman of BMW, openly accusing the Japanese of dumping their new luxury cars in North America.

The US luxury car market, which at around 1m units a year is by far the world's most important to manufacturers, could grow by 10 per cent this year.

But the price war already raging in it, partly as a result of fast emerging Japanese competition, is likely to become increasingly fierce over the coming months, with some European producers expected to be among the heaviest losers.

Virtually all manufacturers in the sector are offering rebates and other sales incentives, extending up to $5,000 per car on Mercedes' most expensive models.

This is despite the fact that following "a very tough year for everybody in 1989," according to Mr Michael Dale, Jaguar's senior vice-president for sales and marketing, the US luxury car market has risen by 20 per cent in the first quarter of this year.

The momentum is not expected to be maintained, and most of the gains, in any case, are being made by a resurgence of Ford's domestic luxury cars division, Lincoln – now a sister company to Ford-owned Jaguar – sales of which are up by nearly 35 per cent.

BMW sales were nearly 17 per cent down in the first quarter and Mercedes' were static. Porsche's sales are stronger than in last year's first three months but, at an annual rate of just over 9,000 units, only one third the peak levels achieved in the mid-to-late 1980s.

Jaguar, BMW and other European car company executives now see the biggest risk of a sharp escalation of the price war coming from Toyota's Lexus and Nissan's Infiniti luxury car operations, both of which were launched in the US last year.

The Lexus LS400 saloon range has been a spectacular success. In the first quarter of this year more than 13,000 Lexus models have been sold – almost as many as the entire BMW range, which includes a substantial proportion of cheaper and smaller cars.

Nevertheless, the Lexus coupe, the ES250, has not quite lived up to sales expectations. And, more seriously, Nissan's Lexus equivalent, its Infiniti models, are being outsold at a rate of more than three to one by Lexus. Only 3,700 Infinitis were sold in the first quarter.

Both Japanese companies regard the battle to establish themselves as top-rank luxury car makers as being won or lost in North America.

Lexus and Infiniti are already pitched below their European rivals in price and, according to Mr Dale and Mr Graham Whitehead, Jaguar Cars Inc president, the fear is that Nissan and Toyota, following previous practice in other car market sectors, will adopt the pricing practices necessary to establish market share and reduce stocks later this year.

Mr von Kuenheim charges that Toyota's Lexus and Nissan's Infiniti ranges are already priced unrealistically in relation to production costs in pursuit of market share goals. "Lexus in the US costs $35,000. The same car in Switzerland is SFr79,000 ($54,000), making the US car one-third cheaper. That's dumping. It's nothing to do with cars – it's dumping."

Not unnaturally, Toyota and Nissan executives reject such allegations, insisting the cars are competitively priced for whichever market they are destined.

"How big the market finally turns out to be will depend on incentives", according to Mr Dale. "Incentives can change it by an enormous amount. And if the Japanese aren't doing well by later in the year you can be sure they'll find ways to push through."

The inevitable result will be a further reduction in profitability for already hard-hit European producers, Mr Dale predicts.

Jaguar is being cautious about its own prospects for the full year. It sold 19,700 cars in the US last year. But this was well below the record 24,000 of 1986, and Mr Dale speaks only of hoping "to do over 20,000" during the current year.

Brazilian car industry to resume production

By John Barham in Sao Paulo

THE BRAZILIAN car industry is set to resume full operation, after halting production for the domestic market five weeks ago.

However, most companies say they will produce only half as many vehicles as normal, raising fears of widespread dismissals.

Domestic sales plummeted following the introduction of drastic anti-inflation policies on March 16, which forced companies to send staff home on full pay.

Autolatina, the holding company that manages Volkswagen and Ford operations in Brazil and Argentina, says all 28,000 workers will return to work on May 2.

However, Autolatina, which controls about 60 per cent of the Brazilian market, says it will reduce production by 40 per cent to 1,620 units a day. Employers are pressing for a reduction in working hours and wages paid to industrial staff. In return the unions are demanding the companies guarantee job stability.

However, Mr Euclides Fontana of Mercedes Benz, Brazil's leading truck and bus manufacturer, said: "By May or June we hope to establish at which level we should stabilise output. So it makes little sense to talk about laying off workers now."

Manufacturers hope that talks with suppliers over price reductions will be completed as production is resumed.

Brazilian-owned outside suppliers provide nearly all components for the car industry. They have resisted lowering their prices. Manufacturers have also refused to lower prices, claiming that government price controls have held their retail prices artificially low.

Companies say that export sales, the usual escape valve at times of recession, are unattractive because the overvalued exchange rate makes exports uncompetitive.

The collapse in sales will severely dent 1990 balance sheets. Mercedes Benz had expected a 10 per cent drop in sales to $1.5bn this year, but now forecasts a far steeper decline. In some cases, Brazil may affect parent company financial figures.

In 1988, Volkswagen's Brazilian operation turned over $1.89bn and earned $262m net profit.

Alcan to cut capital spending by a quarter

By Robert Gibbens in Montreal and Kenneth Gooding in London

ANOTHER indication of the belt-tightening in the aluminium industry because of lower metal prices has been given by Alcan Aluminium, the Canadian group which is the world's biggest producer of primary aluminium.

Alcan will cut capital spending by nearly a quarter this year, from US$1.3bn in 1989 to US$1bn, "because we don't want to overstretch ourselves," said Mr David Morton, chairman, in London yesterday.

However, Mr Morton stressed he believed the aluminium industry could expect at least two or three more years of "good business." The industry was producing flat out, shipments were keeping pace with output and stocks were low.

Known additions to western world primary aluminium capacity for the next three years represented only an annual 2 per cent increase, whereas demand was growing at between 2 and 3 per cent a year.

Consequently, said Mr Morton, there was little potential for prices to fall but a great deal of "upside potential."

Alcan expected to produce about 1.6m tonnes of primary aluminium this year, about the same as last year, but well below the peak 1.846m tonnes in 1988.

Mr Morton said: "We've been taking orders for May ingot deliveries at about 75 cents a lb. We see reasonably firm prices ahead." The price of aluminium for immediate delivery recently dipped to 67 cents a lb, but has rebounded to more than 70 cents in recent days.

Recycling would meet some of the increase in demand in the next 10 years, Mr Morton predicted, and Alcan expected secondary metal to account for 40 per cent of total supply at the end of that period, against 30 per cent today.

He also indicated that the group expected to play its part in the further restructuring of the world aluminium industry, a process which he suggested was far from over.

Tabacalera chairman backed by Ministry

By Tom Burns in Madrid

CRITICISM of the management of Tabacalera, the big state-controlled Spanish tobacco group which is now in the throes of diversification, has moved the Economy Ministry to voice confidence in its chairman and support for the group's moves to consolidate its non-tobacco products.

Reacting to press reports that Mr Miguel Angel del Valle Inclan, Tabacalera chairman, was on the point of being dismissed scarcely a year after his appointment, the Economy Ministry said he had the full backing of the Patrimonio del Estado, the industrial portfolio run by the Treasury that owns 51 per cent of the group.

Doubts had been cast on the future of Mr del Valle Inclan after lacklustre results last year, when net group profits of Pta9.7bn ($91m) were only marginally up on 1988, and a sustained drop in the group's share price.

Market fears that Tabacalera was running into difficulties over its diversification were fuelled by the resignation of Mr Manuel Gago, its chief executive for non-tobacco products.

Under Mr Gago, Tabacalera branched into the food business three years ago when it bought 50 per cent stakes in domestic biscuit manufacturers Artiach and Marbu and also in Nabisco Brands' España. It subsequently acquired all three companies outright last year as well as moving into food distribution – and into pension fund management through an association with Eagle Star of the UK.

Tabacalera's strength lies in its status as Spain's sole processor of tobacco, in the strong profits it derives from third party tobacco affiliates such as Philip Morris España and in its unchallenged control of the vast majority of tobacco distribution in the country.

Its resources, however, have been tested by the decision two years ago to acquire from INI, the public company holding corporation, a food processing division called Endiasa that included the troubled dairy producer Lactaria Espanola. This acquisition was widely viewed as a poisoned chalice accepted by Tabacalera in order to aid INI's own balance sheet.

The tobacco group has had to inject Pta7.2bn into the Endiasa companies after they sustained losses of Pta2.94bn in 1988 and of Pta2.90bn last year.

Tabacalera's image also suffered as a result of an apparent sharp difference of opinion between the Agriculture Ministry and the Economy Ministry over the merits of building a strong food distribution business under the umbrella of public companies. Mr Carlos Solchaga, the Economy Minister, has strongly opposed such ventures and has cut short a series of initiatives, some of which involved Tabacalera, sponsored by the Agriculture Ministry.

The Economy Ministry said there were no plans by the Patrimonio del Estado to jeopardise the tobacco group's present diversification strategy although a possible sale of the dairy division had not been ruled out.

According to the ministry, Tabacalera's first-quarter results showed a marked improvement and there were strong indications the food processing division would achieve an operating break-even point later this year.

Auto side depresses Aetna Life

AETNA LIFE & Casualty, the largest investor-owned US insurance company, has reported improved first-quarter earnings, in spite of weakness from its personal auto insurance business, writes Karen Zagor in New York.

Net earnings for the three months to March 31 grew to $179.8m or $1.61 a common share, from $173.6m or $1.52 a year earlier. Revenues advanced to $4.77bn from $4.58bn. The 1990 results include net realised capital gains of $30m compared with $21m in the 1989 quarter.

LEGAL NOTICES

CCA Computer Group Plc
CCA Microrentals Limited
Cambridge Computer Store Limited
CCA Business Centre Limited

(All registered in England and Wales)
NOTICE IS HEREBY GIVEN, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of each of the above-named company will be held at Shelley House, 3 Noble Street, London, EC2V 7DQ, on 9 May 1990 at 12 noon for the purpose of having laid before it a copy of the report prepared by the administrative receivers under section 48 of the said Act. The meeting may, if [illegible]

Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown below, no later than noon on 8 May 1990, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditor must be lodged at the address [illegible]: photocopies (including faxed copies) are not acceptable.

Date: 23/4/90

R W cork & J M Iredale
Joint Administrative Receivers

Cork Gully
Shelley House
3 Noble Street
London EC2V 7DQ

INTERNATIONAL COMPANIES AND FINANCE

Uneasy peace settles on India's star takeover battle

David Housego and R.C. Murthy focus on the birth pangs of popular capitalism in India

Large-scale corporate battles are still a sufficient rarity in India for all eyes in the business world to be glued to the dramatic tussle for control of Larsen & Toubro (L&T), the leading high-technology engineering group.

At the end of the first round Reliance – a group controlled by Mr Dhirubhai Ambani and his two sons and the most aggressive of the large industrial houses which flourished in recent years on its close links with Mr Rajiv Gandhi, the former Prime Minister – seems to be losing by a short head.

It faces the danger of L&T slipping from its grasp – thus reversing the 1988 takeover which was the largest in India's recent corporate history.

But it stands to gain important concessions from the Government over such issues as environmental clearance for Reliance Petrochemical's new gas cracker at Hazira on the west coast, access to fresh loans from the financial institutions, and customs clearance for its projects – doubts about which have all been weighing on its future since the change of Government in December.

What is also clear – and what creates uncertainty about the final outcome – is that Mr Ambani is a "street fighter" by instinct who will not let L&T go before pulling every last punch. "The war is over but the skirmishing goes on," says a Reliance official of the truce announced ten days ago calling off the extraordinary general meeting of L&T that had been demanded by the state-owned financial institutions, the largest shareholder in the group.

The weak point in the Ambani's armour is that if the EGM had been called and had ended in a vote, the Ambanis with less than 25 of the shares, would have lost. On the other hand, the Government and financial institutions had no wish for a full- scale battle to gain stock and votes that could have badly disrupted the capital markets.

Mr Dhirubhai Ambani, with over 3m shareholders in his Reliance companies, has pioneered popular capitalism in India and the raising of large equity funds through the capital markets. To have humbled him publicly would have been to impose a reverse on the markets the Government is keen to encourage.

Under the compromise that was thus hammered out with the Finance Ministry, Mr Dhirubhai Ambani has stepped down as chairman and his eldest son Mr Mukesh Ambani as vice-chairman. Four Ambani nominees remain on the board – including the two Ambani sons. Mr D.N. Ghosh, the recently retired chairman of the State Bank of India, has taken over as chairman.

Prime Minister V.P. Singh's administration sees these moves as a half-way house to its real objective of removing L&T from the Ambani's control. Reliance, which has annual sales of over Rs15bn ($8.3m), took over L&T for Rs9.6bn by what the Finance Ministry now considers "clandestine" and underhand techniques. It held only 7 per cent of the shares but had the support of the financial institutions which then acted at the bidding of Mr Gandhi.

Subsequently the new Ambani mangement at L&T got the group to purchase Rs760m of Reliance stock in what has been a bad investment for L&T with the plunge in Reliance shares. In another much contested move L&T last year launched a jumbo Rs8.2bn issue – of which Rs3.4bn of the proceeds was used to provide a suppliers credit for Reliance.

The Finance Ministry wants to put the clock back on these manoeuvres and establish L&T, as one official puts it, as "an independently-managed company run in the interests of L&T and not as a vehicle for deals that benefit somebody else."

Dhirubhai Ambani: will fight to last for L&T

In line with this strategy, the next move of the financial institutions – and thus of the Government – is to remove the Ambani nominees within the management. These include Mr B.J. Patel, the finance director, Mr Sethu Raman, the company secretary, and possibly Mr U.V. Rao, the managing director.

The Government would also like to revoke the suppliers' credit that would have been used to help Reliance Petrochemicals build the Hazira gas cracker as well as finance other schemes like a hotel project in Russia and a petrochemical venture in Taiwan.

A big difficulty is that L&T, left to itself, could easily flounder. It was a conservatively-managed company that had difficulty in obtaining sufficient orders before the tie-up with Reliance. Reliance, a textiles and petrochemicals based group, opened up its horizons with the prospect of the two entering the world market for global turnkey projects in oil, gas, petrochemicals, refineries and power.

Whatever his other failings, as an industrialist Mr Dhirubhai Ambani is a shrewd strategic planner with a global perspective.

Reliance's ambitions for L&T were already reflected in a 36 per cent increase in turnover this year and a much larger increase in orders.

Should L&T cut anchor it has got to find new contracts that will at least enable it to service the fresh debt and equity it has taken on with its Rs8.2bn jumbo issue last year. For this reason one of Mr Ghosh's first calls after taking over as chairman was on the Chief Minister of West Bengal to see whether L&T could gain a foothold in the large Haldia petrochemical project to be put up in a new joint venture with the Tata group.

Another major difficulty is that the Ambanis still hold strong cards. Their share of the equity of the group will increase when the first part of last year's mega-issue is converted next month. They continue to have a strong presence on the board. They remain a powerful influence in the stock market in that more individual investors have a stake in their group than in any other.

Mr Ambani intends to play all these cards either to maintain his grip on L&T – or if he is forced out to buttress Reliance further through Government concessions. One of the most complicated aspects to any final deal would be unwinding the cross-holdings between the two groups.

In the background of the tussle over L&T lie some of the major issues that face the corporate sector. What should be the role of the state-owned financial institutions who hold up to 40 per cent of the stock in a large number of companies? The Government wants to give them more autonomy – but still clearly sees them as useful instrument of intervention.

The battle also raises the question of how willing the new administration of Mr V.P Singh is to allow large companies to grow to international size. Part of the unspoken charges against Reliance are that they have become too big.

SA stores chain boosts pre-tax profits by 21%

By Philip Gawith in Johannesburg

PEPKOR, the South African mass-market retail chain, increased turnover by 24 per cent to R1.5bn ($5.64m) in the year ended February, despite a background of high interest rates and lower consumer spending.

Pre-tax profit increased 21 per cent to R120m but a 31 per cent rise in the tax bill saw net profit limited to R67.8m. Pep Stores and Shoprite, the group's two listed subsidiaries, increased pre-tax profits by 15 per cent and 25 per cent respectively.

Clothing retailer Pep, which has approximately 850 outlets and contributes nearly two-thirds of group turnover, suffered from restructuring costs and tougher competition in the retail sector. The lower margins are reflected in Pepkor's operating profit growing at a slower rate than its turnover.

Earnings per share for the group were up 17 per cent to 579.8 cents and the total dividend was 185 cents.

Mr Christo Wiese, chairman, said that although Pep Stores was anticipating a difficult year, he expected satisfactory results. He thought Shoprite would maintain above-average growth.

Speciality Stores' shares were suspended earlier this week amid speculation that Pepkor wants to acquire the company, a retail store operator, valued at about R100m. It was announced that negotiations are underway.

Sharp advance by Seiyu and Mitsukoshi

By Gordon Cramb in Tokyo

STRONG RESULTS continued to emerge on Friday from the Japanese retail sector, with annual pre-tax profits up 22.6 per cent at Mitsukoshi, an up-market department store group, and 13.4 per cent at Seiyu, a leading supermarket chain.

For each the rate of earnings increase far outstripped their growth in sales.

Mitsukoshi's profits of Y17.2bn ($1.08m) for the year to February came on a 10.6 per cent rise in turnover to Y787.9bn, while at Seiyu, where profits for the same period were Y12.5bn, sales rose just 3.6 per cent Y1,004.1bn, above the Y1 trillion mark for the first time.

Friends of Freesia deserts $450m Avon Japan deal

By Gordon Cramb in Tokyo

AVON JAPAN, the Japanese subsidiary of Avon Products, is again up for sale after Friends of Freesia, a Tokyo mail order company, called a halt last week to an agreement to buy control of the unit for $450m.

Freesia said it had become concerned about management changes at the New York-based cosmetics and toiletries group, which has been under threat of takeover, and had warned earlier last week that it might not be willing to conclude the purchase. Avon has been seeking wider-ranging asset sales to reduce debt and fend off Chartwell Associates, a partnership including the Getty family which has amassed a 16 per cent hostile stake in Avon.

Freesia had sought new terms, which among other things would allocate it a 6 per cent stake in the parent within a year.

Mr Veji Sasaki, Freesia president, said a holding in the US Avon would secure it a voice on the board.

He added that he would be prepared to revive the deal at a higher price, describing it as shelved until the position at Avon stabilised. Avon has said it would resume talks with others if the Freesia deal fall through.

Privately owned Freesia, with sales equivalent to some $180m, was planning to fund the $338m cash component of the deal through bank borrowings – the rest would have come from royalties.

NEWS IN BRIEF

■ FAI Insurances, the Australian insurer, is to sell the stockbroking business of its wholly-owned Pembroke Securities to Rivkin for an undisclosed sum, Reuter reports.

Mr Rodney Adler, FAI chairman, also warned group underwriting losses for the year to June would rise about A$28m.

■ Elders Finance, part of Elders IXL, the Australian brewer, has sold Elders Keep, its UK finance business, to Riggs AP Bank, the London unit of Riggs Natioanl Bank of Washington, AP-DJ reports.

Terms were not disclosed.

■ Australia and New Zealand Banking Group, is bidding 4.5m kina ($4.6m) for Niugini-Lloyds International Bank, AP-DJ reports.

Niugini-Lloyds is 49 per cent owned by Lloyds Bank, of the UK, 35 per cent by the Papua New Guinea Government.

INTERNATIONAL CAPITAL MARKETS

Arab bank gets go-ahead for international issue

By David Lascelles, Banking Editor

ARAB BANKING Corp, the Arab world's largest bank, plans to go ahead with its $250m international share offering by the middle of this month. The issue will be the first to foreign investors by a Gulf-based company.

Mr Abdulla Saudi, president and chief executive of the bank, said in London yesterday that the issue would be managed by Credit Suisse First Boston, CCFI – a Saudi-based investment house – and ABC's own investment bank.

The issue has required the passage of a special Bahraini law to enable the sale of the stock to non-Gulf residents. Mr Saudi said this was significant for future foreign investment and listing of foreign companies on Gulf exchanges.

The issue will increase ABC's paid-up capital from $750m to $1bn. The bank's three shareholders, the Kuwait Finance Ministry, the Central Bank of Libya and the Abu Dhabi Investment Authority, have waived their rights so that fresh shareholders can invest in the bank. The bank hopes most of the issue will be taken up by Arab investors.

Mr Saudi said the proceeds from the issue would be used to finance the restructuring of the bank. In particular it wants to establish its European operations as a separate entity based on its three branches in London, Milan and Paris, which together account for 45 per cent of earning assets. This bank would probably be based in the UK, and would own ABC's subsidiary interests in Spain, West Germany and Monaco.

Resources would also be devoted to establishing ABC more strongly in the Arab world, where it is relatively less known because of its emphasis on international activity. Mr Saudi said he believed there was potential in the growth of European-Arab contacts.

Last year, ABC showed pre-tax profits of $35m, which was down sharply from $142m the year before owing to non-payment of interest by less developed countries. It applied all this profit to LDC provisions, which are now equivalent to 48 per cent of exposure.

The group's capital ratio under the new international rules is 11.8 per cent compared to the agreed minimum of eight per cent.

● Orkla Borregaard, the Norwegian industrial group, is postponing a planned issue of around 2.5m B shares as a result of share market weakness.

Chinese banks recoup deposits

By John Elliott in Hong Kong

BANKS controlled by China which operate in Hong Kong have more than made up in money terms for the sudden withdrawal of deposits from the Bank of China group at the time of last June's Tiananmen Square crisis, although they have lost some market share, said Mr Tony Nicolle, Hong Kong's Banking Commissioner, yesterday.

Launching his annual report, Mr Nicolle also warned local banks to consider carefully whether to continue with their lending policies which have led to the ratio of Hong Kong dollar loans to deposits growing from 92 per cent in 1986 to 117 per cent last year.

Mr Nicolle denied that the figures showed there was a flight of capital out of Hong Kong ahead of its reversion to Chinese sovereignty in 1997, and said there was "no shortage of Hong Kong dollars."

Last June there was a rush of withdrawals from the group by local Chinese in Hong Kong, and the bank was believed to have lost some HK$20bn (US$2.6bn), or 10 per cent of its deposit base, within a few days.

It was thought that this local business had not been regained, but yesterday's figures show a 10.1 per cent increase with the total deposits of China's banks standing at HK$196bn at the end of 1989, compared with HK$178bn a year earlier.

Total assets of the banks stood at HK$329bn, 10 per cent up on a year earlier.

But these increases were well below overall banking growth and the banks' market share was hit. China's share of total assets fell from 21 per cent in 1988 to 19 per cent and its share of deposits from 22 per cent to 21 per cent.

For all banks, deposits were up 19 per cent from HK$846bn to HK$1,008bn, while total assets rose 14.8 per cent from HK$3,698bn to HK$4,247bn.

The figures also underline the growing importance of Japan, which has more banks – 30 – than any other country.

The Japanese banks' share of total Hong Kong dollar assets rose from 9 per cent in 1986 to 14 per cent in 1988 and 17 per cent last year.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on April 30

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alberta 8¾ 96	750	†94	94½	0	−0¼	9.85
Alberta 9¾ 95	600	98¼	98¾	+0¼	−0¾	9.71
Austria 9¾ 93	140	100	100½	+0¼	−0¼	9.56

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 5½ 93	80	95¾	95⅞	0	+0¼	7.22
Cr.Local France 6¾ 94	300	95⅞	95¾	+0¼	+0¼	6.66

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Fin. Exp. Cd. 8¾ 92	75	†96½	96¾	+0¼	−0⅛	9.85
Fletcher Chall. 4⅞ 98	150	†75¾	76	−0¼	−0⅛	9.30
I.A.D.B. 6 2004	200	†85¼	85½	−0¼	−0⅞	7.71
Kobe City 4¾ 98	150	†81½	82	−0½	−0¼	7.71
Leeds Perm. B/S. 4¼ 93	200	†87½	87¾	+2	0	9.08
Malaysia 5¼ 98	100	†77	77¼	−0¼	−1¾	9.37
Maxwell Comm.Crp. 5 95	150	†80¾	81¼	0	+0⅞	9.89
Nat.Bk. Hungary 5½ 94	75	†83½	84	+0¼	+0¼	10.03
Nationwide Ang.B/S. 4 93	200	†86¾	87	0	−0⅞	8.98
Prov. Newfoundland 5 03	150	†78	78½	+0¼	−0¼	7.61
Thailand 4⅝ 95	200	†85	87	−1	0	8.01
World Bank 5 03	150	†80	81	0	+0⅞	7.34

Average price change... On day +0⅛ on week −0⅛

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, April 30, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	60.5357	36.0581	38.1364
Albania	(Lek)	10.1172	6.1709	3.6756	3.8874
Algeria	(Dinar)	13.09	7.9841	4.7556	5.0297
Andorra	(Fr Fr)	9.2350	5.6328	3.3551	3.5485
	(Sp Peseta)	173.40	105.7639	62.9972	66.6282
Angola	(Kwanza)	49.5455u	29.9180	18	19.0376
Antigua	(E Carr $)	4.418	2.6947	1.6050	1.6975
Argentina	(Austral)	8005.77	4883.0658	2908.5449	3076.1844
Aruba	(Florin)	2.9290	1.7865	1.0641	1.1254
Australia	(Aus $)	2.1795	1.3293	0.7918	0.8374
Austria	(Schilling)	19.345	11.7993	7.0281	7.4332
Azores	(Port Escudo)	243.50	148.5208	88.4650	93.5638
Bahamas	(Bahama $)	1.6395	1	0.5956	0.6299
Gabon	(CFA Fr)	461.75	281.6407	167.7565	177.4255
Gambia	(Dalasi)	12.967	7.9091	4.7109	4.9825
Germany East	(Ostmark)	2.7525	1.6788	1	1.0576
Germany West	(D Mark)	2.7525	1.6788	1	1.0576
Ghana	(Cedi)	516.8685	315.2598	187.7814	198.6046
Gibraltar	(Gib £)	1.00	0.6099	0.3633	0.3842
Greece	(Drachma)	268.30	163.6474	97.4750	103.0931
Greenland	(Danish Krone)	10.4675	6.3845	3.8029	4.0220
Grenada	(E Carr $)	4.418	2.6947	1.6050	1.6975
Guadaloupe	(Local Fr)	9.2350	5.6328	3.3551	3.5485
Guam	(US $)	1.6395	1	0.5956	0.6299
Guatemala	(Quetzal)	6.4162	3.9135	2.3310	2.4653
Guinea	(Fr)	490.89	299.4144	178.3433	188.6224
Guinea-Bissau	(Peso)	1063.59u	650	386.4037	408.6801
Guyana	(Guyanese $)	53.9979u	33	19.6177	20.7484
Pakistan	(Pak. Rupee)	36.50	22.2628	13.2606	14.0249
Panama	(Balboa)	1.6395	1	0.5956	0.6299
Papua New Guinea	(Kina)	1.6002	0.9760	0.5813	0.6148
Paraguay	(Guarani)	2006.50	1223.8487	728.9736	770.9894
Peru	(Inti)	24856.70	15161.1466	9030.5903	9551.0854
Philippines	(Peso)	36.50	22.2628	13.2606	14.0249
Pitcairn Is	(£ Sterling)	1.00	0.6099	0.3633	0.3842
	(NZ $)	2.8433	1.7342	1.0329	1.0925
Poland	(Zloty)	15543.00	9480.3293	5646.8664	5972.3342
Portugal	(Escudo)	243.50	148.5208	88.4650	93.5638
Puerto Rico	(US $)	1.6395	1	0.5956	0.6299
Qatar	(Riyal)	5.93	3.6169	2.1544	2.2785

INTERNATIONAL CAPITAL MARKETS

Treasuries dip slightly before Greenspan speech

By Janet Bush in New York and Deborah Hargreaves in London

US TREASURY bonds were quoted marginally lower across the yield curve yesterday morning, showing little reaction to personal income and consumption figures and caution in advance of a speech this afternoon by Mr Alan Greenspan, Fed chairman.

At midsession, short-dated issues were as much as ⅛ point lower while the Treasury's benchmark long bond was down ⅛ point to yield 9.03 per cent.

Personal income rose a seasonally adjusted 0.8 per cent in March, above most forecasts, while personal consumption rose 0.4 per cent, in line with forecasts. Sales of new single-family homes fell 5 per cent, a larger decline than anticipated.

There was little incentive to build new positions yesterday at the start of a week which will see a great deal of economic news.

The market will also be looking closely at tomorrow's announcement of the details of the quarterly refunding which starts next Wednesday. Although many dealers believe the market is oversold, prices could erode further to boost yields before the auctions.

GOVERNMENT BONDS

■ WITH few European bond markets open yesterday ahead of today's May Day holiday and Japan quiet due to Golden Week, bond activity was concentrated in UK gilts. It proved a volatile day.

After touching a yield of 12.7 per cent, long gilts bounced back to yield 12.6 per cent in a thin market. This recovery was helped by sterling's resilience.

There was little retail activity as investors wait cautiously for Thursday's local government elections in the UK.

The market is also watching today's news to see whether British Rail unions accept a 9.3 per cent pay rise.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		10.000	4/93	90-31	-02/32	13.82	13.52	13.39
		10.500	5/99	86-07	+02/32	13.16	12.82	12.47
		9.000	10/08	77-25	+07/32	12.01	11.70	11.43
US TREASURY *		8.500	02/00	96-14	+03/32	9.05	8.95	8.61
		8.500	02/20	94-18	+01/32	9.03	8.94	8.59
JAPAN	No 119	4.800	6/99	85.8851	+0.003	7.39	7.32	7.34
	No 2	5.700	3/07	89.0410	+0.001	7.13	7.12	7.28
GERMANY		7.750	02/00	93.2000	-	8.80	8.79	8.38
FRANCE	BTAN	9.000	02/95	96.2787	-0.107	9.99	10.14	10.12
	OAT	8.500	03/00	92.7600	-0.210	9.66	9.73	9.53
CANADA *		9.750	05/00	89.4000	+0.150	11.57	11.72	11.16
NETHERLANDS		7.750	01/00	91.9300	-	9.02	8.98	8.64
AUSTRALIA		12.000	7/99	90.6933	+0.002	13.80	13.70	13.42

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Europe fund sells $110m in difficult conditions

By Deborah Hargreaves

MERCURY Asset Management had raised $110m for its Europe fund at the close of subscriptions last week, against a background of extremely difficult trading conditions for country funds. The firm had scaled back its expectations from the $200m it had initially hoped to raise.

The fund, which will be listed in the US, has sold almost a third to retail US investors, with the rest going to Japanese and Europeans. It will invest in stocks across Europe with a view to eventually becoming involved in eastern Europe.

Country funds have lost their allure in the US after increasing their popularity over the past few years. A couple of Europe funds due to be launched in March were subsequently withdrawn from the market after failing to attract sufficient interest.

Japanese buyers have got cold feet about the investments after they were subjected to hard selling by aggressive brokers. Most buyers of country funds listed in the US have been inexperienced retail clients, which have bailed out as quickly as they were enticed in.

The surge in popularity in country funds has been linked to reports of stock manipulation and aggressive sales methods. A group of brokers bid up US-listed Korea funds on the back of the Olympic Games in the country in 1988, which made a good selling point to Japanese investors. Similarly, the Spain and First Iberia funds were sold on the back of Barcelona being the host of the games in 1992.

The unsophisticated nature of the US market was made apparent when the Spain fund soared to a premium of over 100 per cent. These buyers could have bought a similar fund in the UK at a discount to net asset value.

"The whole US market became a rigged, unsophisticated ramping market where retail brokers were getting up to all sorts of tricks," says Mr Garth Milne, head of the investment trust group at Warburg Securities.

FSA pulls in last securities houses

By Richard Waters

THE UK'S regulatory regime for the investment business, created by the Financial Services Act, is on the point of drawing in its final international securities houses – though not without provoking considerable resentment.

It is two years since the FSA came into force, but several firms, among them Shearson Lehman Hutton, Kidder Peabody and Credit Suisse First Boston, still had subsidiaries which fell outside the regulatory net at the end of last week, according to the Securities and Investments Board, the chief regulator.

This is because they are in a country other than the 30 which have a memorandum of understanding enabling co-operation between their regulators and those in the UK.

The drive by the SIB to bring businesses that operate in the UK onshore has prompted dissatisfaction at several houses, along with threats of moving offshore. However, none of these has been carried out.

"The SIB has been extremely difficult in our view in insisting on incorporation in the UK," says one firm. "We see no purpose in it. We are adequately capitalised, so incorporation adds nothing to the exercise."

Another firm says: "It really doesn't make a bit of difference. We have a plethora of subsidiaries. People we deal with do not look in detail at which ones are incorporated in the UK and which ones aren't."

The SIB, though, claims that it would be wrong simply to accept a firm's assurances that it has capital overseas, with no way of confirming this.

Also, it says that it has not forced any firms to relocate to the UK, but has been happy to see them based in a country which has a memorandum of understanding.

Regulated firms balk at being forced to change their established structures. Tax implications are the major handicap. Shifting a company's legal base causes two problems. First, a capital gains tax charge arises when an operation is relocated. For companies that have operated under their current structure for many years, this could be significant. They are faced with revaluing intangible assets that they are moving to another tax jurisdiction.

The second problem is that some firms have had favourable tax arrangements which allow them to take a proportion of their UK taxable income into low-tax offshore areas. Abandoning the overseas base for the UK would destroy this favourable position.

Of those still on the list of interim authorised firms, Credit Suisse First Boston yesterday incorporated its last remaining branch, which handles its main secondary market Eurobond business, in the UK. Although it has taken CSFB two years to reach this point, it yesterday played down any disagreement with the UK regulators.

Kidder Peabody, like CSFB, has had a Eurobond operation based in Switzerland. It is still considering what approach to take. However, it is understood to be considering establishing either a branch or a separate subsidiary in the Netherlands. This would make it acceptable to the SIB but would be more efficient from a tax point of view than moving to the UK, since it would allow Kidder either to keep its base in Switzerland or to switch to another favourable tax regime.

Holidays lead to quiet trading

By Andrew Freeman

THE EUROBOND market had a subdued session yesterday amid lack of interest as Japanese and many European players enjoyed official holidays. The combination of Golden Week in Japan and next week's US Treasury auctions is expected to block all but targeted issues.

An innovative asset-backed £80m issue was launched by Commerzbank's London operation. Relocation Funding No.1 is backed by receivables based on standard relocation lending. The deal securitises residential properties acquired by companies as part of packages offered to employees as incentives to relocate.

The four-year floating-rate notes were issued at a spread of 40 basis points over one-month London interbank offered rate. A Commerzbank official said the paper would be placed mainly with banks and pension funds, although the lead manager was keeping a large proportion of the issue. Underwriting fees were not disclosed and no syndicate was formed. Payment date for the notes is 30 April.

Interest payments on the notes will come from the interest obligations of the group of about 50 companies involved in the asset pool, while the principal will be repaid using receipts from the sale of houses. If needed, the companies will make up any shortfall caused by stagnant or declining property prices.

INTERNATIONAL BONDS

Goldman Sachs was quoting its $152m Pearl Street deal, launched on Friday and backed by leveraged buy-out, at 99.45, a discount equivalent to underwriting fees. The 12-year bonds carried a guarantee from Financial Security Assurance as well as a liquidity put option after five years.

Deutsche Bank Capital Markets was the lead manager of a A$50m issue for Deutsche Bank Australia, which is fungible with an A$100m deal it launched in mid-March. The bonds, which mature in May 1995, were priced with a 14½ per cent coupon at 100½ plus 13 days accrued interest. Underwriting fees were 2 per cent with a 1½ per cent selling concession.

DBCM said the deal had gone well given the market's sleepy atmosphere. It was quoting the paper at less 1½ bid. The issue proceeds were swapped.

Euroclear blocks AIBD proposal

By Andrew Freeman

EUROCLEAR, the international settlement organisation, said on Friday that its board had rejected an interim solution proposed by the Association of International Bond Dealers to a problem caused by the regulator's Rule 221 concerning the settlement of new Eurobond issues.

At a meeting of the AIBD's market practices committee in Luxembourg, Mr Thomas Ketchum, Euroclear's general manager, was permitted to put forward new suggestions which he said provided a clear direction toward solving the problems created by Rule 221.

However, the move was greeted with dismay by AIBD officials who expressed disappointment that Euroclear had not endorsed a solution which had been unanimously accepted by the market practices committee and adopted by the AIBD board. It had also been accepted by Cedel, the smaller of the two international clearers.

Mr John Langton, AIBD chief executive, said: "We are very disappointed by the rejection of our Rule 221 proposal. The AIBD board will have to consider Euroclear's move in the light of market needs, although we respect the decision of the Euroclear board." He added that the AIBD is a designated investment exchange under the UK Financial Services Act.

John Langton, AIBD chief executive: 'very disappointed'

Mr Andrew Lusai, chief executive of Cedel, said he was very disappointed that Euroclear had not endorsed a proposal which was otherwise acceptable to the whole market.

The row has come to a head days before the AIBD's annual meeting in Amsterdam on May 16.

The AIBD board was hoping to announce that Rule 221 would be fully implemented following agreement from the two clearers after protracted discussions. Euroclear's decision makes further negotiations inevitable.

Euroclear's proposal for Rule 221 on Friday included a new offer to accelerate delivery of new issue securities across the connecting electronic bridge to Cedel.

Mr Lusai said this would need detailed analysis in the context of a wider business problem whereby Euroclear operates with a competitive advantage because of a bridge contract drawn up between the two parties in 1980.

He added, however, that it appeared the proposal would further disadvantage Cedel clients.

Euroclear said its new proposal emerged from a review by its board of the present bridge structure and stressed the need for all parties to co-operate in working towards greater efficiency for the market as a whole.

It said that the AIBD/Cedel solution involved the introduction of a new subsidy rather than the elimination of existing inefficiencies.

Ex-Merrill chief moves to Instinet

By Bernard Simon in Toronto

THE FORMER chairman of Merrill Lynch's Canadian subsidiary, Mr Michael Sanderson, has been named chief executive of Instinet Corp, the electronic equities trading system owned by Reuters Holdings of Britain.

Mr Sanderson will take over the worldwide operations of Instinet, which has 1,100 subscribers in the US, western Europe and Bahrain. Ironically, Instinet has met strong resistance in Canada, where its efforts to set up a computerised quotation system have so far been blocked by some members of the Toronto Stock Exchange who fear it will undermine the exchange's own trading systems.

Mr John Hull, executive vice-president for Reuters America to whom Mr Sanderson will report, said yesterday that he hopes to start operations in Canada "shortly," in the wake of public hearings earlier this year by the Ontario Securities Commission.

The OSC is drawing up its recommendations.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Monday April 30 1990 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Fri Apr 27 Index No.	Thu Apr 26 Index No.	Wed Apr 25 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (199)	813.49	-0.7	14.35	5.37	8.44	14.32	819.02	[illegible]	828.50	955.01
2	Building Materials (27)	989.61	-1.0	15.98	6.00	7.71	16.86	999.14	1011.04	[illegible]	1195.87
3	Contracting, Construction (36)	1279.21	-2.0	19.24	6.40	6.78	31.00	1304.85	1332.55	1338.01	[illegible]
4	Electricals (10)	2320.14	-0.9	12.26	5.78	10.03	39.90	2341.99	2364.06	2369.44	2815.28
5	Electronics (29)	1717.35	-0.7	10.54	4.32	12.30	18.56	1728.92	1738.58	1742.97	2177.97
6	Engineering-Aerospace (8)	444.61	+0.5	14.44	5.24	8.25	9.03	442.33	448.31	446.55	0.00
7	Engineering-General (43)	448.31	-0.8	12.67	5.58	9.52	8.17	451.99	454.62	455.49	0.00
8	Metals and Metal Forming (6)	459.60	+0.4	25.60	6.78	4.40	0.53	457.99	465.38	463.83	540.59
9	Motors (16)	333.92	-1.2	16.62	6.75	7.03	9.47	337.85	339.19	338.64	315.35
10	Other Industrial Materials (24)	2485.47	-0.4	22.18	5.36	9.53	31.01	1490.93	2508.13	2513.01	2592.67
21	CONSUMER GROUP (178)	1151.43	-0.2	10.29	4.26	12.11	10.37	1153.83	1166.03	1169.79	1204.95
22	Brewers and Distillers (21)	1373.28	+0.3	10.56	4.01	11.69	12.62	1369.52	1383.63	1380.48	1327.58
25	Food Manufacturing (20)	1001.05	-0.9	11.09	4.70	11.19	14.80	1009.95	1014.65	1018.27	1034.02
26	Food Retailing (16)	2188.04	-0.4	9.91	3.59	13.04	15.05	2196.38	2194.41	2202.62	2180.93
27	Health and Household (13)	2385.03	-0.3	7.18	2.91	16.54	17.14	2391.83	2420.98	2432.22	2283.39
29	Leisure (32)	1266.85	-0.2	11.19	4.69	11.02	11.41	1269.33	1286.34	1290.67	1607.09
31	Packaging & Paper (13)	534.25	-0.8	13.61	6.08	9.21	11.66	538.82	547.75	548.59	577.76
32	Publishing & Printing (16)	3029.15	-1.7	11.11	5.93	11.37	50.81	3080.13	3124.13	3119.66	3588.99
34	Stores (35)	696.89	+0.9	12.67	5.27	10.21	[illegible]	690.43	703.49	709.99	784.46
35	Textiles (12)	447.50	-1.5	14.97	7.96	8.41	3.77	454.47	461.30	462.69	541.48
40	OTHER GROUPS (105)	1059.71	......	11.76	5.38	10.17	9.12	1060.23	1074.42	1083.36	1080.76
41	Agencies (17)	1471.39	-0.1	6.49	2.67	18.69	12.89	1472.61	1480.21	1504.80	1288.92
42	Chemicals (23)	1149.10	+1.0	12.44	5.74	9.40	25.08	1138.16	1155.60	1160.40	1236.89
43	Conglomerates (14)	1480.08	-1.0	10.83	6.61	10.94	10.73	1495.44	1523.94	1534.67	1580.27
44	Transport (13)	2093.96	-0.5	11.30	4.70	11.24	25.71	2103.71	2129.03	2143.64	2416.81
46	Telephone Networks (2)	1019.16	-0.2	12.46	5.03	10.44	0.00	1021.64	1033.71	1047.89	1108.97
47	Water (10)	1837.84	+0.3	18.96	7.37	5.84	0.00	1832.47	1855.71	1871.37	0.00
48	Miscellaneous (26)	1705.56	+0.5	11.07	4.97	10.12	18.48	1697.03	1717.16	1723.90	1469.73
49	INDUSTRIAL GROUP (482)	1051.74	-0.3	11.76	4.96	10.37	11.59	1054.64	1066.73	1071.27	1126.30
51	Oil & Gas (18)	2111.34	-0.7	12.84	5.71	10.29	36.63	2126.11	2168.43	2182.00	2032.92
59	500 SHARE INDEX (500)	1140.35	-0.3	11.91	5.05	10.36	13.59	1144.17	1158.65	1163.90	1203.18
61	FINANCIAL GROUP (110)	735.74	-0.5	-	6.20	-	18.31	739.09	751.20	754.09	739.73
62	Banks (9)	769.17	+0.3	21.43	6.97	6.11	24.92	766.65	771.41	771.97	734.52
65	Insurance (Life) (7)	1232.29	-0.7	-	5.96	-	36.94	1240.41	1273.53	1281.59	1053.80
66	Insurance (Composite) (7)	622.62	-1.1	-	6.64	-	19.43	629.35	640.93	644.64	586.88
67	Insurance (Brokers) (7)	1034.84	-0.6	8.29	6.29	15.91	27.41	1040.86	1044.76	1042.71	950.94
68	Merchant Banks (7)	403.22	-1.1	-	4.72	-	4.85	407.80	414.92	426.60	331.37
69	Property (48)	1056.62	-1.3	8.66	4.25	14.68	8.07	1070.02	1099.93	1100.64	1313.20
70	Other Financial (25)	291.32	-0.1	15.31	7.65	8.62	4.23	291.61	298.48	301.81	371.49
71	Investment Trusts (67)	1113.92	-1.1	-	3.44	-	9.53	1125.83	1138.34	1142.59	1121.37
91	Overseas Traders (5)	1269.70	-0.2	10.39	7.19	11.62	42.07	1272.80	1284.00	1289.76	1402.37
99	ALL-SHARE INDEX (682)	1043.16	-0.4	-	5.18	-	14.48	1047.08	1060.85	1065.51	1090.04

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Year ago
FT-SE 100 SHARE INDEX♦	2103.4	-3.2	2104.6	2084.4	2106.6	2133.6	2143.1	2159.9	2159.2	2118.0

FIXED INTEREST

	PRICE INDICES	Mon Apr 30	Day's change %	Fri Apr 27	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	112.20	....	112.20	-	4.19
2	5-15 years	112.91	+0.09	112.80	-	4.96
3	Over 15 years	115.61	+0.17	115.42	-	4.16
4	Irredeemables	129.05	-0.61	129.84	-	6.12
5	All stocks	114.61	+0.06	114.54	-	4.65
	Index-Linked					
6	Up to 5 years	141.04	....	141.05	-	1.49
7	Over 5 years	130.79	-0.03	130.83	-	1.38
8	All stocks	131.45	-0.03	131.49	-	1.38
9	Debentures & Loans	93.11	+0.09	93.20	0.18	3.30
10	Preference	73.92	-0.67	74.42	-	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Mon Apr 30	Fri Apr 27	Year ago (approx.)
	British Government				
1	Low	5 years	12.18	12.15	9.77
2	Coupons	15 years	11.94	11.94	9.19
3		25 years	11.85	11.83	9.01
4	Medium	5 years	13.55	13.51	10.64
5	Coupons	15 years	12.44	12.45	9.62
6		25 years	11.97	11.98	9.19
7	High	5 years	13.65	13.62	10.76
8	Coupons	15 years	12.75	12.76	9.85
9		25 years	12.27	12.27	9.38
10	Irredeemables†		11.83	11.74	9.02
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	4.97	4.94	3.62
12	Inflation rate 5%	Over 5 yrs.	4.31	4.30	3.62
13	Inflation rate 10%	Up to 5yrs.	3.95	3.91	2.68
14	Inflation rate 10%	Over 5 yrs.	4.13	4.12	3.45
15	Debs &	5 years	16.70	16.49	12.01
16	Loans	15 years	14.44	14.45	11.24
17		25 years	13.82	13.76	11.24
18	Preference†		12.56	12.43	10.22

♦Opening index 2091.7; 9 am 2085.0; 10 am 2094.6; 11 am 2093.1; Noon 2100.5; 1 pm 2097.8; 2 pm 2096.4; 3 pm 2098.4; 4 pm 2104.5; 4.10 pm 2103.3; (a) 3.32pm (b) 8.50am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	23	52	24
Corporations, Dominion and Foreign Bonds	6	5	13
Industrials	212	662	706
Financial and Properties	57	371	300
Oils	6	51	32
Plantations	0	0	10
Mines	16	59	82
Others	32	98	126
Totals	352	1,298	1,295

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings April 17
● Last Dealings May 4
● Last Declarations July 19
● For settlement July 30

For rate indications see end of London Share Service

Calls in Aviva Pet, Brent Walker, Blenheim Exhibitions, Control Securities, Cityvision, Kelt Energy, Mecca Leis., Next and Tusker Res. *Puts in* ADT, Beazer, Copson (F), Blacks Leis., Saatchi & Saatchi, Rolls-Royce, Sharpe & Fisher, Taylor Woodrow and Westbury. *Put and call in* Aviva Pet.

LONDON TRADED OPTIONS

THE EXPIRY of the FT-SE April contract boosted turnover yesterday in the London traded options market.

Turnover had reached some 40,000, contracts by yesterday's close with strong markets developed in British Gas, Hanson, Amstrad and Rolls-Royce.

Total turnover stood at 40,019 contracts of which 17,429 were calls and 22,590 were puts. The FTSE option was the most active with lots totalling 15,778 by the close. Of these, 5,125 were calls and 10,653 were puts. The July 2050 series turned out to be the busiest and it alone accounted for 3,063 lots, of which BZW sold 2,000. Business was said to have been particularly busy in the last hour and one trader talked of "a certain amount of bear closing."

Hanson was the busiest contract with a total of 3,340 contracts traded, of which 2,845 were calls, and 1,195 puts. The busiest series was the November 240 calls at 1,466. James Capel was reported to have bought 1,000 of the November 240 calls at 7.

British Gas was the second busiest contract, with 1,547 calls and 2,216 puts traded. The busiest series was the September 200 puts at 1,000, with James Capel reported to have accounted for a large part of the day's trade.

Amstrad were the third busiest contract of the day, with a total of 1,894 contracts traded, 1,837 being calls and 57 being puts. BZW was reported to have done a two for one call spread in Amstrad – buying 600 of the 1060 calls and sold 1,200 of the June 70 calls, the busiest series in Amstrad. Big trades were also recorded in British Telecom.

In the futures market, a break down in computer screens until around 8am saw the day start off in some confusion.

Good buying activity was noted at the Footsie 2080 level. The higher than expected results from ICI that came in the middle of the trading session boosted activity, but that had died away by the afternoon, which was reported to have been dull with little in the way of activity. The futures market closed at a premium of 26.

[illegible]

UK COMPANY NEWS

New businesses behind NHL's rise to £15.5m

By David Barchard

NATIONAL HOME Loans, the mortgage lending and financial services group, yesterday announced pre-tax profits of £15.53m for the six months ended March 31 1990. This was six per cent up on the £14.65m made in the corresponding period of 1989.

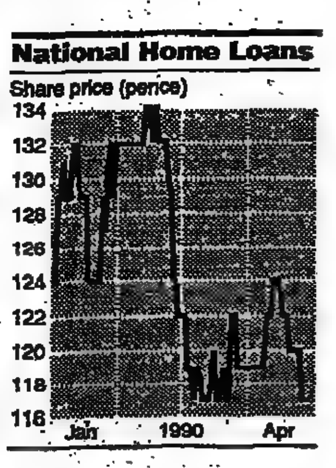
Mr John Darby, group chairman, said that it had been a satisfactory rather than a brilliant period, but the group was no longer a one-product outfit and its vulnerability to occasional downturns in the housing market had been reduced.

In March, Mr Richard Lacy, the chief executive, resigned suddenly and was replaced by Mr Kevin Milner, the finance director.

Mr Darby declined to give details of the financial settlement which Mr Lacy had been offered, saying the agreement with him prevented disclosure of the precise terms of the golden goodbye for the time being. The settlement was included in the current figures and would be made public in the final accounts.

The resignation was not about the group's diversification, Mr Darby said. "It was not where we were going but how we were getting there that was the problem," he added.

Net interest income fell from £20.67m to £19.48m, but other operating income was up from £2.45m to £7.18m. New businesses, including the group's commercial lending and leasing operations, contributed £3.09m.



Group assets employed rose from £2.12bn to £2.47bn.

"These results demonstrate the resilience of the group in a tough mortgage market," said Mr Milner. He said NHL had an advantage over some other lenders because its portfolio contained relatively few first-time buyers.

"Nonetheless we have doubled our exposure against possible bad debts." The group was constantly reviewing the situation of its mortgage customers. "Where repossessions are concerned, we deal with them in a sympathetic and humanistic sort of way." he said.

Fully diluted earnings per share were 6.8p (5.9p) and the interim dividend is stepped up to 3.75p (3.28p).

● COMMENT

Coming so soon after the jettisoning of its pilot and at a time when the mortgage market is sunk in gloom, NHL's mid-year figures look surprisingly respectable. Nonetheless, there is little of the resilience in evidence a year ago when it looked as if the group could steer its way through a bad year by relying on sophisticated remortgage products. The latest figures clearly reflect a market in which centralised lenders such as NHL, which rely on the wholesale money markets, are badly disadvantaged compared to the building societies. There is no sign that things are going to get any easier for the centralised lenders for many months, and an early return to the conditions of 1987 and the first few months of 1988 seems out of the question. NHL's diversification into new business areas, branded at the time as 'panicky' by some of its competitors, seems to have paid off and is making an impressive contribution to profits. This will offset some of the squeeze on its mortgage business, but is it enough? The group's capital ratios appear to be strong enough to see it through the difficult months ahead and it is arguably better-managed and better-positioned than most of the other centralised lenders and should fare better than they do. Nonetheless, the rest of 1990 looks like being a hard slog.

Nobo shares jump 31p on merger talks

By Clare Pearson

A LEAP of 39 per cent in its share price yesterday morning prompted Nobo Group, visual aids and office equipment concern, to reveal it was in the early stages of merger talks.

The company said it was currently involved in preliminary discussions which might or might not lead to an offer being made.

Mr Roger Colvin, finance director, said the board had thought it necessary to make the announcement after seeing Nobo's share price shoot up to as high as 165p. It closed at 150p, 31p higher on the day.

After a warning from Nobo last month, analysts downgraded pre-tax profits forecasts for the 12 months ending April 30 1990 to £1.7m, down from the £2.9m earned last time.

Diversification away from the core visual aids business have proved more difficult and more costly to integrate than the company earlier anticipated.

Directors control about 60 per cent of the share capital.

Cambridge Group up on forecast

Cambridge Group, Dublin-based financial services concern, returned profits of I£3.08m (I£2.05m) pre-tax for the year to end-February.

That was a sharp improvement over the previous year's I£1.07m and some 6 per cent ahead of the I£2.86m forecast prior to the USM debut.

Turnover totalled I£15.69m (I£5.31m) and earnings emerged at 4.57p (1.96p). Dividend is the promised 0.27p.

New World still beckons the bold

David Lascelles on the continuing appeal of the US to UK banks

ALLIED IRISH BANKS' decision to go ahead with a second acquisition in the US is notable for two reasons.

First, it shows that the US still has its attractions in spite of the current fashion for expansion in Europe in the run-up to the 1992 EC single market – and notwithstanding the fact that AIB's chairman is Mr Peter Sutherland, the former EC Commissioner.

Second, it comes at a time when much of the US banking industry – particularly in the east where AIB's target lies – is being hit by the collapse of the real estate market.

These setbacks are believed to have prompted NatWest, for example, to put its US acquisition plans on a back burner.

Following the retreat of the UK clearers from the US after the disastrous losses in the 1980s, NatWest is the only large UK clearer with known acquisition plans. But NatWest USA, based in New York and New Jersey, saw its first quarter profits halved by a $56m bad debt provision.

AIB, however, has reason to be more satisfied with its incursion into the US. Nearly eight years have passed since it entered the market by buying a minority stake in First Maryland.

The relationship flourished, and the stake was increased to 100 per cent last year. Over that time, First Maryland's profits increased at an annual compound rate of 25 per cent. Last year they rose 40 per cent to $73m, showing that it is possible to make progress. In fact, AIB thinks that the worst of the property debacle is further north than the Baltimore-Washington area.

Mr Diarmuid Moore, who is director of corporate strategy at AIB, said yesterday that the US still offered the best expansion opportunities in spite of developments in Europe.

"We have looked very closely at continental Europe," he said, "but we have not found anything which presents value for money. It is also more difficult than the US for many reasons such as language and culture. Continental Europe is heavily banked, and it is very hard to find profitable opportunities."

Lydia van der Meer

Peter Sutherland, AIB's chairman and former EC Commissioner

Many European bankers would probably agree with that view. Over the past two years, AIB's chief rival, Bank of Ireland, and the Royal Bank of Scotland have both bought regional banks in New England.

The Royal also made a second $150m bid two months ago for BankWorcester in Massachusetts, though this deal has yet to go through.

The Bank of Scotland, too, bankers after a US acquisition, and came close to buying a Texas bank last year.

Even the large clearing banks without well-known acquisition plans are keen to expand their presence there through business growth.

Barclays Bank, which sold its retail operation in California two years ago and disposed of part of its remaining finance operation earlier this year, is still strongly committed to the US market, according to Mr John Kerslake, the chief executive for North America.

The fact is that while the EC single market has stirred much excitement in banking circles, bankers have found it extremely difficult to pinpoint attractive acquisition targets.

With the notable exception of the Deutsche Bank's purchase of Morgan Grenfell, there have been few cross-border acquisitions of note. Instead, banks have concentrated on forming alliances and cross-shareholdings.

The US holds similar attractions to the EC insofar as the imminent deregulation of state barriers will create a much larger market, and enable small regional banks to grow fast. But it offers the additional appeal of greater openness and a ready supply of information.

At this moment it also looks cheap. AIB's bid is equivalent to only 1.1 times the net tangible value of Baltimore Bancorp, which is well below the multiples paid for US banks in earlier acquisitions. It is also well below the going rate for European banks.

For the bold, the time is therefore ripe. "It's a cheap time to buy," says Mr Chris Wheeler, the banking analyst at Shearson Lehman Hutton. "But what are the consequences of that? The US market could become more sticky."

Thus, AIB's bid points up the paradoxes of current trends in banking. Although European banks are all devoting huge resources to their 1992 strategies, they still cannot escape the age-old tug of the US market.

In spite of the traumas that banks like Midland suffered through buying US banks, the New World preserves its appeal.

Property decline leaves Upton & Southern in red

A sharp fall in property values left Upton & Southern Holdings, the Middlesbrough-based retailing and property group in the red in the 52 weeks to January 30. Interest rates were blamed at Southern and City, the property subsidiary, and provisions were made against certain developments which resulted in the loss.

However the auditors qualified the accounts on the point of the provisions and the work-in-progress figure in the balance sheet, which included capitalised interest of £596,000.

They said that with the uncertainty in the property market they were unable to determine whether the provisions were sufficient to reduce the value of the work-in-progress to net realisable value.

Retailing was profitable overall, with satisfactory results for the department stores.

Turnover was £12.5m, (£13.42m for 53 weeks) for a taxable loss of £800,000 (£928,000 profits).

After a tax credit of £254,000 (£236,000 charge) the loss per share was 6.05p (earnings 10.31p) or 6p (7.75p) diluted. The dividend is being passed.

Abtrust backs new Polish radio station

By Emma Tucker

RADIO SOLIDARITY, soon to be launched as Poland's first commercial radio station, will go on air with the assistance of two investment trusts managed by Aberdeen Fund Managers, a subsidiary of Aberdeen Trust Holdings.

Abtrust's New European Investment Trust and Abtrust's Radiotrust, the only investment trust to invest solely in commercial radio ventures, are together financing the start-up and initial operating costs of the station providing a total of £200,000.

Radio Solidarity, which has been operating as a clandestine station since 1982, has been given official recognition by Polish authorities and should begin broadcasting in mid-May.

"Obviously the investment is quite high risk, but it is at a relatively small initial cost," said Mr Martin Gilbert, managing director of Aberdeen Trust Holdings.

"We are getting in at a very low price compared to what you would have to pay to get a 48 per cent stake in a UK radio company."

Mr John Morton, investment manager and director of Abtrust's NEIT, said: "If the European Central Banks continue to contain the threat of inflation in the 1990s the new decade will bring unparalleled opportunities for development and expansion in eastern Europe."

Atlantic Resources cuts losses

Although turnover more than halved from I£842m to I£404m (£394m) in the year to December 31, Atlantic Resources, the USM quoted exploration and oil and gas production company based in Dublin, reduced its pre-tax loss from I£15m to I£3m.

The profit was struck after an exceptional charge of I£2.2m (I£15.01m). After a tax credit of I£414,000 (I£74,000 charge) the loss per share was 1.7p (8.7p).

The directors said that the reduced turnover was a result of the suspension of production from the Claymore field which recommenced production in August 1989.

UK COMPANY NEWS

Northern bias insulates housing side from effects of falling market

Lilley more than doubled at £19m

By Andrew Taylor, Construction Correspondent

PRE-TAX PROFITS of Lilley, the contractor and property developer which recently failed in its bid to acquire Tilbury a rival construction company, more than doubled in 1989 to £19.1m.

This compares with £7.53m in the 11 months to December 31, 1988. Earnings per share over the period rose by 27 per cent from 7.5p to 9.55p. Two years ago earnings per share were 3.3p.

Turnover increased by 44 per cent to £294.35m compared with £204.49m.

Three years ago Lilley appeared to be heading for the rocks after announcing a deficit of £50m in 1986-87, mainly due to heavy losses on US tunnelling contracts.

Mr Lewis Robertson, chairman, said yesterday he was confident there was more improvement to come in the present year even though trading conditions were likely to be more difficult.

"Whilst the housing market has sagged, particularly in the south, the group has been less affected because most of its operations are in the north, where demand and prices have remained strong in Scotland and Cumbria," said Mr Robertson.

Less than a third of group operating profits last year came from residential and commercial property development.

Property profits last year rose from £2.23m to £5.76m, helped by a first-time contribution of £4.2m from Standen Homes the Nottingham-based housebuilder.

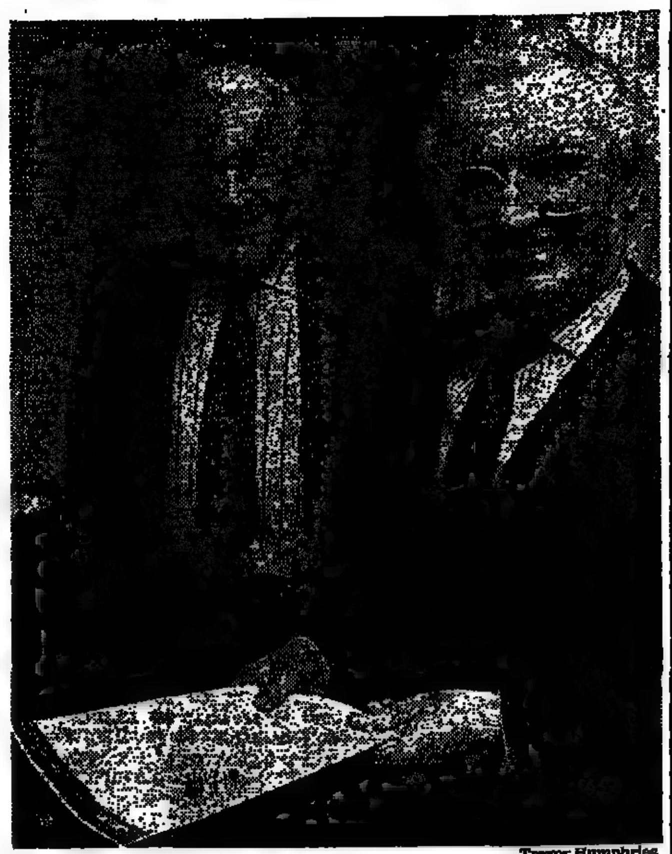
Contracting profits jumped from £3.04m in 1988 to £8.11m last year. Specialist contracting, including piling, tunnelling and plant hire, rose from £2.27m to £4.53m.

Mr Robertson said it was disapointing the group had failed to acquire Tilbury after achieving acceptances representing 48.84 per cent of the group's shares. He added that the Tilbury stake, which had been reduced to 29.9 per cent, had made a positive contribution to earnings per share. The group was still considering its next move.

A final recommended dividend of 1.5p makes 2.5p for the year. This compares with a total 1.5p for the 11 months to the end of December, 1988.

● **COMMENT**

Lilley has grown rapidly on the back of a string of acquisitions and share issues. This has made it difficult to compare performances in separate years. Earnings per share however have almost trebled in the past two years. The cost of has been a sharp increase in group debt. Gearing, if financing of the Tilbury stake is included, is an uncomfortable 115 per cent. At the trading level the group's concentration on contracting and in housing north of the border should assist in a difficult year. Pre-tax profits helped by first-time contributions from the latest set of new acquisititions, including Hatfield Estates, the St Albans contracting and property group, could be about £26m which should ensure a further modest increase in earnings. This puts the group on a prospective p/e of about 4.5. This may look cheap but a re-rating is unlikely until the Tilbury situation is resolved. The market will also want Lilley to consolidate its position and reduce its borrowings before further acquisitions are made.



Trevor Humphries

Looking for further improvement: Lewis Robertson (left), chairman, and Bob Rankin, chief executive

Video Store falls £2.72m into the red

By John Thornhill

THE VIDEO STORE Group, which changed its name from Goodman Group and transformed itself from a fashion retailer into a video chain, reported a pre-tax loss of £2.72m in the year to January 31 1990.

This compared with pre-tax profits of £594,000 in the previous year.

During the year, Video Store completed a series of disposals as part of its strategy of withdrawing from the fashion sector. Last November, it sold its licensed Benetton high street shops and the following month disposed of Tube, its retail shoe division.

Since the year end, it has also sold Parkes Clothing, the menswear wholesale and retail division, which had incurred a substantial loss in the previous year.

Mr Chris Simpson, chief executive, said these disposals had been accompanied by stringent cost-cutting measures reducing head office costs and directors' salaries. The board was substantially restructured during the year with four directors resigning; three new directors have since been appointed.

"We are now left with an economically lean group involved wholly within the fast-growing video retail business," he said.

Last August, Video Store entered the video retailing market through the purchase of Ashbrights and Pebbletape. These chains contributed operating profits of £225,000 boosted by an extraordinary tax credit of £390,000.

The group is currently expanding its interests in video retailing and is opening three to four new stores a week. It has 81 stores at present but has a target of 200 by next January.

In 1989-90 there was an extraordinary loss of £1.79m resulting from losses and provisions from disposed-of businesses.

Sales were down at £8.94m (£11.42m). Losses per share deepened to 8.6p (2.1p). The dividend was passed but the board said it looked to the future with great confidence.

NEWS DIGEST

Folkes advances by 20%

FOLKES GROUP lifted its pre-tax profit 20 per cent, from £3m to £3.6m, in 1989. Its activities cover engineering, property and building products.

Turnover rose only 3 per cent to £58.51m (£56.73m). Evertidy, furniture manufacturer, suffered from harsh trading conditions and would continue to do so. But plans were in hand to increase market share.

The directors were optimistic about the return expected from the major investment in the Washington Centre project. In engineering, order books were healthy although certain sectors were showing some weakening in demand.

Disposal of the bar bright drawn steel business last December yielded substantial funds and the group expected nil gearing to continue into next year unless it needed funds for a major acquisition. Year-end net asset value was 73.98p but rose to 81.5p after the sale.

Earnings in 1989 came to 6.77p (6.33p) and the final dividend is 1.6p for a total of 2.05p (1.77p).

Commercial Bank of NE profits rise

Pre-tax profits of the Commercial Bank for the Near East rose from £765,572 to £900,781 in the year to December 31 and after tax of £364,121 (£344,683) earnings per share improved from 42.1p to 53.7p. A maintained 30p dividend, exclusive of tax credit, has been recommended.

Expansion continues at Principal Hotels

The fast expanding Principal Hotels Group, which operates 18 hotels with a total of nearly 1,600 rooms in four countries, turned in a pre-tax profit of £425,000 for the six months ended December 31 1989, compared with £516,000 last time.

The hotels made £446,000 while the financial division incurred a loss of £21,000. Turnover fell to £11.57m (£21.29m) because of reduced activity in that division; negotiations for its sale were in progress.

The hotels side continued to grow both by acquisition and development. In the UK sales were £2.78m and gross operating profit £719,000, with occupancy level at 56 per cent, while in Europe sales were £4.32m, gross profit amounted to £1.74m and occupancy level 72 per cent.

The company said real benefits to earnings would emerge in 1990-91 when the refurbishment programme would be substantially completed, and the portfolio of hotels would be fully operational.

The interim dividend is again 1p at a cost of £428,000 (£152,000), reflecting capital increased by acquisitions. Payment of a final dividend would be reviewed when the full year figures were available. Earnings fell to 1.67p (2.1p).

There was an extraordinary loss of £577,000 following the disposal of the holding in Dart Corporation.

Assets decline for Lowland Investment

Net asset value per 25p ordinary share of the Lowland Investment Company amounted to 205.6p taking prior charges at par at March 31. That compared with 212.5p a year earlier and with 224.5p at end-September 1989. At market value, the figures were 207.4p, 211.2p and 223.8p respectively.

Attributable earnings for the half year to March 31 totalled £872,000 (£660,000), or 3.71p (2.81p) per share. The interim dividend is being lifted to 2.5p (2p) and the directors expect the final to be at least maintained at 4.5p.

Scottish Mortgage all-round growth

Scottish Mortgage & Trust lifted its net asset value by almost 10 per cent to 163.8p by March 31, against 149.1p a year earlier.

Sales of some £30m were made of Japanese stocks, taking the Japanese stake to below 5 per cent - the lowest level for a decade. Around £16m was put into the US taking that interest to 19 per cent of the portfolio (14 per cent). The UK element was cut from 52.9 per cent to 47.7 per cent.

Earnings in the year worked through at 3.94p (3.03p) and the dividend is stepped up to 3.35p (2.8p), the final being 2.25p. Gross investment income surged by over £5m to £31.67m.

Corporate clothing boosts Wensum

In its first full year on the USM, Wensum Company increased pre-tax profit by 22 per cent, from £520,000 to £635,000, and is paying a dividend of 1.9p.

The group makes clothing and has two divisions - one for corporate clients and the other for menswear.

Corporate company lifted turnover 44 per cent to £2.66m (£1.84m) in the year to January 27 1990 and trading profit 50 per cent to £311,000 (£208,000).

Menswear side increased turnover 3 per cent to £4.89m (£4.74m) and profit 17 per cent to £458,000 (£391,000).

The directors reported an encouraging start to the current year with both divisions having record order books.

Earnings in the year slipped to 5.88p (6.63p).

Assets improvement for Albany Trust

Net asset value per 20p ordinary share of the Albany Investment Trust rose by 6.83p to 102.17p over the year to end-February 1990.

Attributable profits emerged at £377,533 (£313,140), equal to earnings of 3.77p (3.12p). A final dividend of 2.6p makes a 3.4p (2.8p) total.

Child Health sets sights on Europe

Child Health Research Investment Trust proposes a change in policy and in name, and expects soon to release details of a £5.9m fully underwritten rights issue.

The directors believe the trust should pursue the investment opportunities that are arising in Europe. They propose to adopt a policy which carries a strong emphasis on European equity and fixed interest markets and to increase the size of the trust. The name will be changed to Thorton Pan-European Investment Trust.

The trust is due to be wound up in January 1994, and the proposals do not alter that. The directors will consider whether to extend the life of the trust nearer that date.

At December 31 1989 the trust's net assets totalled £2.59m (£2.11m). Value per share was 51.7p (42.3p) but that had slipped to 49.4p by April 20. Net revenue for the year came to £98,000 (£7,000).

British Assets revenue above £11m

Pre-tax revenue of British Assets Trust has leapt from £8.93m to £11.7m in the six months to March 31 but net asset value per 25p ordinary declined to 88.6p from 93.6p a year earlier and 96.3p at the September 30 year end. Total revenue for the period was £16.72m against £11.7m.

Earnings were up from 1.65p to 2.1p after a tax charge of £2.86m (£2.51m) and there is a second quarterly dividend of 0.95p to make 1.875p (1.575p) for the six months.

Clydesdale assets lower at midterm

Net asset value of Clydesdale Investment Trust slipped to 106.13p at March 31 compared with 111.55p a year earlier and 115.2p at the September year-end.

Attributible revenue for the first six months, however, was up from £146,000 to £188,000 and earnings per share came to 1.39p (1.08p). The interim dividend is doubled to 1p.

S&U Stores led by financial side

Led by the financial services side, S&U Stores achieved substantial growth in the year ended January 31 1990. Turnover rose 14 per cent while the pre-tax profit expanded 50 per cent.

And trading in the current year was "most encouraging", said Mr Derek Coombs, chairman of this consumer credit, television rental and hosiery manufacturing group.

With earnings rising from 11.11p to 17.8p, the dividend is increased by 1.75p to 6p, the final being 4.5p.

Turnover came to £43.55m (£38.08m) and the pre-tax profit to £2.83m (£1.89m).

Mr Coombs said all areas of trading contributed to the improvement. Hosiery made progress and should provide a valuable contribution this year.

The group was enjoying fairly buoyant demand in what was generally perceived as a difficult market; extending the range of customer choice had enabled growth to continue. The quality of the group's credit was a major factor in the profitability performance, the chairman stated.

Panfida minority plans approved

Panfida Group, the Australian-controlled retail and property company which operates the Martins chain of confectionery, tobacco and newsagent stores in the UK, has obtained shareholder approval for its plans to buy out the minority interest in the chain.

Also approved is the subscription of around £10m by Mr Rupert Murdoch's News International, taking its stake to around 31 per cent of Panfida's equity.

That subscription, at 35p a share, was subject to an open offer to other shareholders at the same price. However, with Panfida trading at 16p, unchanged yesterday, in the market, only 1,140 of the 28.6m new shares have been clawed back.

C&J Clark tops £30m despite conditions

C&J CLARK, the biggest shoe manufacturer and one of the six largest private companies in the UK, returned profits of £30.32m pre-tax for the 12 months ended January 31, an improvement of 7 per cent over the previous year's £28.26m.

Sales at £599.93m showed a 2 per cent increase on continuing activities.

At the annual meeting at Street, in Somerset, shareholders were told that the major UK subsidiary, Clarks Shoes, had experienced a better year – particularly in the light of current trading conditions in the high street.

In the group's other UK shoe businesses, K Shoes' profits were lower than in recent years while Ravel and Lord and Farmer, the high street retail chains, delivered an improved performance i spite of tougher trading conditions.

The property division remained a strong performer and overseas profits were maintained.

Earlier this month, the company said it planned to join the main market when conditions improved.

Lucas makes £10m US acquisition

By Emma Tucker

As part of an ongoing investment policy to acquire high technology, specialist companies, Lucas Industries, the components group, is to acquire California based NovaSensor for £10.1m in cash.

NovaSensor designs and manufactures silicon pressure sensors, accelerometers and microstructures to the medical, process control, consumer electronics and environmental control markets.

The company, which will continue to be known as NovaSensor, will complement the existing Lucas range of pressure sensor products and will be incorporated into Lucas Industrial, an operating sector of Lucas Industries. NovaSensor will also serve the two other sector companies, Lucas Automotive and Lucas Aerospace.

According to Mr Bob Dale, managing director of Lucas Automotive, programmes were already underway with NovaSensor to develop accelerometer sensors for suspension, braking and chassis control systems for Lucas Automotive.

Mr Bob Brown, managing director of Lucas Industrial said that the acquisition of NovaSensor would bring world class micro-machining technology to Lucas as well as considerable personal talent to the company's electronics and silicon capabilities.

UK COMPANY NEWS

North America takes over from UK as largest contributor

Tootal profits fall 15% to £36m

By Jane Fuller

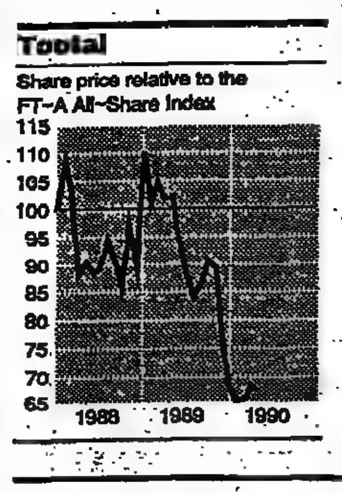
TOOTAL, the textile group which saw its proposed merger with Coats Viyella unravel late last year, also suffered a 15 per cent fall in pre-tax profit for the 12 months to January 31.

The taxable figure of £35.72m (£42.29m) came on turnover up 8 per cent to £529.84m. Sales of ongoing businesses grew by 15 per cent to £517.08m, while profit fell by more than £6m to £28.39m.

Mr Geoffrey Maddrell, chief executive, said three moves cost the group about £6m: taking £2m costs out of the UK thread business, entailing about 200 redundancies; the development of fabric sources in India; and technical teething troubles in specialised materials.

"We are over those humps now," he said.

Last year had seen the peak of an £85m capital spending programme started four years ago to lessen dependence on South Africa and the UK. Investment in high growth areas included the opening of two spinning mills in Asia.



Interest costs rose from £5.7m to £9.7m and gearing from 21 per cent to 31 per cent.

The thread side of the business contributed £241.6m (£209.7m) to sales, while trading profit grew by 10 per cent to £23.7m.

Clothing and homeware was the only set of activities where profit grew more quickly than turnover – nearly £8m was made on £142.5m sales. Mr Maddrell said about half the clothing went to Marks and Spencer and this part of the business was doing well. About three quarters of the garments were imported.

Talks between Tootal and Coats Viyella have continued sporadically since Coats's reduced offer was rejected last December. Both sides said yesterday that the merger logic remained intact.

Coats said if the bid were renewed, the most important factor affecting the offer price would be the state of the ongoing businesses. It described Tootal's pre-tax profit as being "miles away" from the near £50m being forecast last May when the original offer, worth 138p a share, was agreed.

Tootal's shares closed up 1p at 87p yesterday and Coats's 1½p lower at 109½p

Profit on homeware had, however, declined by 10 per cent because of weak prices.

In fabric and batik, profit more than halved to £3.5m as sales advanced to £76.3m. Mr Maddrell said the group had borne the cost of investment and promotion, but had not seen the benefit last year.

This year would see the opening of a finishing plant in Dundee backed by Japanese partners.

Geographically, the biggest profit contribution came from North America – £12.7m. Whereas the previous year the UK had been way out in front with £15.9m, this time it was on a par with Asia/Australasia with about £8.8m.

About 46 per cent of sales lay in the UK, 21 per cent in North America, 16 per cent in other European countries and 14 per cent in Asia/Australasia.

Tootal's earnings per share fell to 8.53p (11p). The final dividend was held to make a total of 4.95p (4.85p).

See Lex

Riva chief undaunted as Hugin's problems surface

By John Thornhill

RIVA GROUP, the supplier of electronic-point-of-sale equipment, fell into loss in the six months to December 31 1989 as it struggled to get a grip on Hugin Sweda, the loss-making competitor it bought last October.

The USM-quoted Riva has been forced to make a £7.6m provision against overvalued assets at Hugin Sweda and is currently considering whether to pursue legal action against its directors and the company's auditors, KPMG Peat Marwick McLintock and Price Waterhouse.

The company has also written off £6.2m in respect of restructuring costs at Hugin Sweda.

In all, Riva recorded a pre-tax loss of £697,000 on sales of £30.95m.

The company has changed its financial year end making comparisons difficult, but in the year to June 30 1989, it made pre-tax profits of £1.48m on sales of £13.67m.

The company was not willing at this stage to discuss in detail the state of its balance sheet. But Mr Neil Alexander, finance director, was able to say: "We have the support of our major shareholders and the support of our bankers."

Mr Tom Milne, chairman, said that even with the benefit of hindsight the decision to buy Hugin Sweda had been a sound one. "If I had to do it again even knowing about the problems we have had then I would have done.

"We feel that we will bring the group into profit in the second half of this year which will have been a Herculean effort," he said.

There is no interim dividend (3p total last year).

Pavon Investments, which owns 33.2 per cent of Riva, has confirmed its full support for the group in the current year. Some uncertainty had surrounded this stake after Pavon's Australian parent company, Elders IXL, had announced that it would sell its non-brewing interests.

Reverse takeover rescue for Systems Connections

By Jane Fuller

A RESCUE has been proposed for Systems Connections Group, a loss-making Third Market company the shares of which were suspended in January at 3p.

The proposal involves the reverse takeover by Systems, which is mainly involved in the distribution of ink-jet printers, of Document Solutions International. The latter's information technology products include optical character recognition systems.

Systems' pre-tax loss in the year to July 1989 was £483,000. The deal, which involves injecting into it the UK part of an international group, was described yesterday as "the only means known to the board to put the Systems group on a viable financial footing."

The Third Market company, which currently has 18m shares, has agreed to issue 70m shares at 2½p each to the vendor, Formscan UK, which itself made a loss of £326,000 in the year to April 1989. DSI, which had net assets in January of £215,000, now has exclusive rights to carry on the business of the vendor group in the UK and is trading profitably, according to Systems' sponsors, the stockbroking firm of Brewin Dolphin.

The new group would be profitable this year, said the brokers, because of the scope for reducing overheads and cutting the workforce and dealership network.

An extraordinary general meeting on May 22 will consider the acquisition. If sanctioned, the Stock Exchange would be asked to allow trading in the shares to resume.

Systems, which was called Sonic Tape in the days when it was involved in the manufacture of sonic measuring devices, joined the Third Market in July 1988. At that time it raised nearly £600,000 via a rights issue to buy the ink-jet printer distributor from which it later took its name.

It made a profit in 1986/7 but reverted to a trading loss of £3,400 in 1987/88.

Sterling Publishing offer gets US backer

By Clare Pearson

A US fund venture capital concern has emerged as a backer of The Sterling Publishing Group. Warburg, Pincus Investors is underwriting, and subscribing for at least 40 per cent, of a £12m open offer of convertible preference shares being launched by the company.

As a result of the offer Warburg, Pincus could on conversion of the preference stock into ordinary shares end up with between 10.3 and 27.7 per cent of the enlarged share capital.

The outcome will depend on the take-up by existing shareholders and the conversion terms, which are linked by a formula to Sterling's earnings per share performance.

At the least Warburg, Pincus will gain 4.9m of the 12m preference shares on offer because directors and other shareholders have in any case undertaken not to take these up.

The deal also gives the investor the right to nominate a board member.

A number of other moves are afoot at Sterling Publishing, the USM-quoted trade and technical publisher which additionally owns Debrett's Peerage. It is making two acquisitions, plans to restructure a subsidiary, and drop the word "The" from its name.

The company also forecast yesterday that its pre-tax profits for the year to end-March would be not less than £4.25m (£2.9m) and earnings per share no lower than 12p (10.25p) per share.

Sterling's open offer of preference shares provides finance for the purchases of 90 per cent of Halcyon Business Publications (HBP), a US magazine and directory publisher, for $14.63m (£8.9m) and Turret, a UK business-to-business magazine publisher and exhibition organiser, for £8m.

The preference stock converts into ordinary shares at a basic effective price of 150p. But this will fall on a formula basis if fully diluted earnings per share for the current financial year are less than 15p, subject to a floor of 130p.

A $7.85m (£4.79m) non-recourse loan for one of Sterling's subsidiaries completes the funding package announced yesterday.

The US acquisition HBP made operating profits of $1.89m last year. Turret has warranted pre-tax profits before non-recurring items of not less than £725,000 for the year to end-December 1989.

Sterling also plans to sell 25 per cent of an existing wholly-owned subsidiary, Cornhill Publications, to its management, which plans to restructure its titles.

The shares closed 2p down at 126p.

Atlantic Computers decision expected

Administrators at Atlantic Computers are expected today to reveal their intentions for the collapsed leasing company's lease portfolio. The group was placed in the hands of administrators two weeks ago by British & Commonwealth Holdings, its hard-pressed parent.

Heavy losses force Pennant to sell properties below book value

By John Thornhill

PENNANT PROPERTIES, the international property development company, has fallen heavily into loss in the six months to end-1989 and has been forced to agree to the sale of two London properties at considerably less than book value.

The company is still in breach of some loan covenants with two lenders and Pennant depends on the sale of the two properties for their continuing support. The sale of the two investments has been made difficult by what the company describes as possibly the "worst UK property market for 15 years."

With negative cash flow at present, Pennant will apply the expected proceeds of about £58m to reduce the company's debt.

Pre-tax losses for the period amounted to £4.89m compared with profits of £11.4m in the comparable half-year. Rental income slipped to £2.58m (£4.39m) and the surplus on the disposal of properties was reduced to £2.65m (£13m).

Losses per share were 10.8p compared with earnings of 25.17p previously. The company cannot afford to pay out either preference or ordinary dividends.

Pennant also has an exposure to Bay Financial Corporation, the Boston-based property group, which has sought approval for a reorganisation plan under Chapter 11 of the US bankruptcy code. Pennant has secured loans of £7.3m to Bay but depends upon the planned sale of the company's assets - yet to be approved by its creditors - for recovery of its advances. Pennant currently expects half these loans to be repaid by October 1990 and the rest during 1991.

Pennant's directors said it would take another year to eliminate all debt, realise overseas investments and return the residual capital to the UK. Only then would it be possible to determine the company's future direction.

Nikki Tait finds losses and reduced profits in a clutch of results

Small companies feel the pressure

THE PRESSURES which the present economic climate is imposing on some smaller quoted companies were fully apparent yesterday, as a clutch of stockmarket tiddlers unveiled either losses or sharply-reduced profits.

On a fairly busy day for company results from smaller groups, five businesses, in a variety of sectors including computer software and property, revealed a drop in earnings in their latest trading periods. All are capitalised at £15m or less.

In some cases, moves have already been made to restructure, either via management changes or asset disposals and injections. At others bad debts and receiverships within the relevant industries are still being cited as reasons for poor performance.

Rentaminster, the Third Market-traded supplier of personnel to construction and shop-fitting industries which has already seen major shareholding and management changes, reported a loss of £753,000 before tax in the six months to end-December, compared with a £222,000 profit.

The pre-tax figure was scored after an exceptional charge of £690,000, caused by a £360,000 bad debt provision, exceptional legal costs and certain other provisions associated with recent management changes.

At the trading level, there was a more modest £63,000 loss (£227,000 profit), on sales of £2.21m (£2.19m). The loss per share was 7.7p and there is no dividend, although, in the wake of the recent changes, the board said that it believed the group to be financially sound.

Bad debts also featured at Optim Group, a USM-quoted supplier of computer systems, which was also been subject to a refinancing package last autumn. For the year to end-October, the company reported a £5.84m pre-tax loss, compared with a £606,000 deficit. Optim blamed a rise in the group's cost base resulting from bad debts overseas, software development costs, the closure of Butel Technology and higher interest charges, up from £704,000 to £995,000.

Again, the trading loss was exacerbated by significant exceptional items, in this case, £2.19m, and attributed to a variety of factors, including abortive venture costs and rationalisation expenses. There is a further £320,000 charge below the line for abortive acquisition costs.

Optim said that sales in the first five months of fiscal 1990 were ahead of budget, as was the order book. But it warned that the group was still suffering from high central fixed costs. There is no dividend.

Futura reported profits for the year to end-December down from £452,000 to £161,000 before tax, on sales only marginally ahead at £6.33m (£6.01m). In the first half, however, the group had reported increased losses of £184,000, and there is a second interim dividend of 1.5p (0.75p).

For Anglo-Park, the Winchester-based property group which only came to the stockmarket at the end of last year, the first news could not be described as particularly happy. The company made a pre-tax loss of £68,000 in the six months to end-December, compared with a £118,000 deficit in the same period a year earlier, although it is paying a maiden interim dividend of 2p a share.

The company pointed out that the loss was in line with its usual development cycle, which sees the bulk of group profits in the second half. That, said Anglo-Park, would also be the case in the current year. However, it warned that "those profits are likely to be less than those achieved in the last financial year," putting the blame squarely on the downturn in the commercial property market.

Meanwhile, at Spong Holdings, also subject to a fairly extensive reshaping recently, there was at least confirmation of the group's improved fortunes, even if it still turned in an loss for the period of £1.1m for the 14 months to end-December.

At the operating level and after a small net interest contribution, there was a turnaround from a £328,000 loss in the previous 12 months to a £459,000 profit. Much-reduced exceptional items of £72,000 cut this to £387,000 pre-tax, against a £845,000 deficit.

The damage was inflicted by a £1.22m extraordinary charge, relating to the disposal of subsidiaries and reorganisation costs. Due to the inherited deficit on the profit and loss account, the houseware and retail display systems company is still unable to pay dividends but directors say that they are exploring opportunities to rectify this position.

Now enlarged by the acquisition of Hamilton Group, a manufacturer of paint brushes and decorators' tools last autumn, Spong said that it was confident of "a successful 1990", although it cautioned that business conditions remained difficult.

Moss Bros bucks trend with 42% rise

By Maggie Urry

MOSS BROS, the renowned hirer and retailer of suits, suggested yesterday that not all retailers are finding the going tough. Results for the year to January 27 showed pre-tax profits up 42 per cent to £4.1m. The shares rose 3p to 175p.

However, exceptional items, acquisitions and disposals and a swing to interest receiveable distort the figures.

Group turnover rose 23 per cent to £51.1m, but the underlying sales growth on a comparable store basis was 8.6 per cent of which inflation represented 3.5 to 4 per cent.

In the first quarter of the current year sales were up 11.5 per cent on a like-for-like basis, Mr Gee said.

On the face of it group operating profits fell from £2.6m to £1.6m, but Mr Terry Donovan, finance director, said the figures were not comparable. He explained the previous year benefited from operating the Covent Garden store rent free, worth about £850,000; did not include Cecil Gee during the February to June period when it loses money – worth in the order of £500,000; and had around £310,000 coming from concession income at the Covent Garden store. Excluding those items, operating profits rose from £937,000 to £1.6m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Albany Inv Tst	fin	2.6	-	2.1	3.4	2.8
Anglo-Park Group	int	2	May 25	-	-	-
Cambridge Grp §	fin	0.27♣	-	-	0.27	-
Clydesdale Inv	int	1	-	0.5	-	3.1
Corars Bk of NE	fin	30	-	30	30	30
Lilley	fin	1.5	June 22	1	2.5	1.5☆
Folkes	fin	1.6	-	1.42	2.06	1.77
Future	fin	1.5	May 31	0.75	2	1.25
Lowland Inv	int	2.5	-	2	-	6.5
Moss Bros	fin	3.5	June 27	3	5	4
Natl Home Loans	int	3.75	-	3.26	-	8
Principal Hotels	int	1†	-	1	-	2
Rentaminster ♦	int	nil	-	1	-	2☆
Riva Group §	fin	nil‡	-	2	nil	3
S&U Stores	fin	4.5	July 2	3	6	4.25
Tootal	fin	3.05	-	3.05	4.95	4.85
Upton & Southern	fin	nil	-	2.5	-	2.5
Wensum	fin	1.9	July 1	-	1.9	-

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market company. ‡For 11 months. ☆For 13 months period. ♣Irish currency. ‡For six months period.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims- Ashley Group, Drayton Asia Trust, Tate & Lyle.

Finals- Apollo Watch Product, BDA Holdings, Beattie (James), Cargo Control, Conrad Continental, London & Overseas Freighters.

FUTURE DATES

Interims-	
Baggeridge Brick	May. 16
Holmes & Marchant	May. 14
LPA Industries	Jun. 26
Finals-	
City of Oxford Inv Tst	May. 16
Gates (Frank G)	May. 22
Goldsmiths	May. 21
MBS	May. 2
Merchant Manufacturing	May. 11
Rock	May. 4
Storehouse	May. 31
Usher-Walker	May. 2
Westerly	May. 6
Whitbread Investment	May. 11

MONTHLY AVERAGES OF STOCK INDICES

	April	March	February	January
Financial Times				
Government Securities	78.00	77.06	80.66	82.43
Fixed Interest	85.51	86.66	90.62	91.98
Ordinary	1719.0	1772.0	1816.8	1894.2
Gold Mines	244.85	283.0	325.2	337.4
SEAQ Bargains(4.45pm)	24,481	26,302	26,526	31,097
F.T.-Actuaries				
Industrial Group	1091.63	1117.86	1144.57	1192.58
500 Share	1186.18	1219.10	1249.22	1291.51
Financial Group	781.48	794.04	828.45	845.29
All-Share	1087.87	1115.82	1146.53	1184.51
FT-SE 100	2191.3	2248.5	2297.0	2387.9

	April High	April Low
Ordinary	1761.3 (3rd)	1653.6 (30th)
All-Share	1111.57 (3rd)	1043.16 (30th)
FT-SE 100	2240.7 (3rd)	2103.4 (30th)

Business failures

There's more to it than meets the eye

Charles Batchelor finds that attitudes are changing - but slowly

High interest rates, the new Uniform Business Rate and a downturn in some areas of customer demand are putting the squeeze on Britain's smaller companies.

Small and medium-sized businesses are not the only ones suffering but because they lack the financial and management resources generally available to the larger company they tend to be hit first and hardest. They figured prominently in the sharp increase in the number of receiverships – to 543 in the first quarter of 1990 from 260 in the same 1989 quarter – reported recently by accountants Peat Marwick McLintock.

At first sight the latest statistics on business failure indicate that the enterprise explosion which characterised the 1980s is coming to a bitter end. But several recent studies suggest that business failure is not as simple nor as final as is commonly believed.

There are also signs that, while Britain and the rest of Europe are still some way from adopting the more forgiving American approach to failure, attitudes have begun to change.

The problem facing researchers attempting to gain a better understanding of business failure is that once a company ceases to trade it becomes very difficult to track down. Even if the owners of failed businesses can be found, they are frequently reluctant to discuss what has gone wrong. A clearer picture of the issue of failure is nevertheless starting to emerge.

Because many successful entrepreneurs own more than one business, statistics on the rate of company failures – most of which are based on VAT statistics – may overstate the level of *individual* failure, argues David Storey, research director of Warwick University's Small Business Centre.

"People who have built up a successful manufacturing business employing about 20 people will not expand that business but will create other companies so that all their eggs are not in the same basket," says Storey. "If the new business does not work out there is no big loss because liability is limited to that company. This does not mean that the entrepreneur has failed."

Although it cannot be denied that a minority of businesspeople deliberately close down their business to escape their responsibilities to their creditors, their customers and the taxman, for the majority failure is a traumatic experience. Many businesspeople react to a failure in business in the same way as they do to losing a member of their family, says Allan Wicker, professor of psychology at Claremont Graduate School, California.

For others, though, the experience is less dramatic and it may be inappropriate to describe it as "failure" at all. People may set up in business after becoming unemployed or because working for others palls, find that this way of life does not suit them or the returns are not as great as they expected and then go back to employment again.

When a company does go out of business owners appear surprisingly willing to admit that they, rather than outside influences, were responsible for the closure, according to a study by Graham Hall of Manchester Business School.

"Overwhelmingly, owners identified problems in operational management, such as under-capitalisation, poor management of debt and inaccurate costings as the main reason for failure rather than factors beyond their control," he says.

For many unsuccessful businesspeople failure is just a spur to try again. Eighty four per cent of (an admittedly small sample of) Californian entrepreneurs contacted by Claremont's Wicker said they would start up again.

In the UK between 15 and 20 per cent of people who have experienced business failure make a second attempt, says John Stanworth, head of the small business unit at Central London Polytechnic. "Independence is addictive. Once you have the taste for self-employment it is difficult to adjust to working for somebody else again," he notes.

Many bolster this determination to succeed by refusing to talk about "failure." "They say: 'We ran into competition. We put the company on ice. We ran the company down,'" Stanworth explains.

Perhaps more important than the way unsuccessful entrepreneurs regard the

demise of their businesses is how they are judged by the outside world. Will people like bank managers and venture capitalists be prepared to back them the second time around?

"If a businessman has failed on one occasion it would make us wary," says Brian Pankhurst, Lloyds Bank area director for south-east Essex. "We wouldn't automatically exclude anyone but we would want as much background as possible on why he had failed. We would also be less inclined to lend on the basis of cash flow forecasts."

Crucial to the bank's assessment of the individual would be the way he had handled his business failure and what efforts he had made to pay off creditors. "We would expect him to be open and not to have tried to walk away from his obligations," says Pankhurst.

Some venture capitalists seem prepared to take a similarly forgiving attitude. "It would depend on whether it was the result of profligacy, incompetence or circumstances beyond the person's control," comments David Thorp, in charge of start-ups at 3i, Britain's largest venture and development capital company.

3i would attach greater importance than usual to the views of businesspeople working in the same industry as the applicant for finance, he adds.

But not all financiers are prepared to take this view. "We would take previous failure as proof that this is a man to avoid," says Richard Connell, managing director of MIM Development Capital. "How could we justify it to our board of directors if something went wrong? There are sufficient deals which don't have that complication."

Crucial to the financial community's assessment of failure is the degree to which the individual can be held responsible for what happened.

"It is easy to say that failure is always the fault of management but we live in dynamic times," says Stephen Adamson, senior insolvency partner at accountants Ernst & Young.

The experience of the managers of a number of recent management buy-outs which have run into difficulties is a classic case of decisions overtaken by events, he suggests. Eighteen months or so ago both managers and investors took a view of interest rates and the level of economic activity which has subsequently proved over-optimistic.

"Informed investors will not take a scathing view of management when even very professional managers can run into problems," suggests Adamson.

This move to a more considered view of business failure has been supported by a number of recent legal changes. The Insolvency Act of 1986 removed some of the stigma of bankruptcy by allowing automatic discharge from bankruptcy after two to three years compared with the five-year period applied previously.

At the same time this legislation and the Company Directors Disqualification Act made it easier to hold directors responsible for their actions.

The Insolvency Act also created the position of administrator to give troubled companies more of a breathing space than had previously been available under a receiver. Like Chapter 11, the US legislation which gives companies protection from their creditors, administration prevents any individual creditor from taking enforcement action against the company which would frustrate a rescue.

Unlike Chapter 11, though, control of the business does not remain in the hands of the directors but is transferred to the administrator.

The greater freedom of directors under Chapter 11 appears to reflect a generally more relaxed attitude to business failure in the US. "However robust Americans are in business, when things go wrong they are more supportive and indulgent," says David Graham, QC, a partner in insolvency specialists Cork Gully. "In America there has never been the stigma attached to bankruptcy because the US was a pioneering society which wanted to encourage enterprise."

"My impression is that the US is more forgiving of failure," says William Dennis of the National Federation of Independent Business, the largest US small firms lobby group. "We tend to look at failure as the negative result of a scientific experiment with no great stigma attached."

In the view of some people involved in the small firms sector in the UK a greater acceptance of failure would bring economic benefits. "If there are no failures then nobody is taking any risks," says Graham Bannock, a small firms consultant. "People like Clive Sinclair (inventor of a range of electronic products) come up with a lot of good ideas – some successful, some not. It is socially desirable for that to happen. Birth and death rates for businesses should go up and down together."

Avoiding payroll problems

Handling the payroll system is one of the most demanding administrative tasks facing the small businessperson when he or she starts to take on staff. One businessman was sent some 30 documents running to 503 pages by the Inland Revenue and the Department of Social Security (DSS) when he signed up his first employee.

It is important for the employer to get his payroll administration right. Not only will this avoid an irate posse of employees querying their pay slips on a Friday afternoon, it will also prevent problems with the authorities.

Getting it right is the subject of How to Set Up and Run a Payroll System* by Carol Anderson, a manager with accountants Ernst & Young.

There is no simple way of operating Pay As You Earn (PAYE), she suggests. The same system must be set up regardless of the number of employees. As the system has grown more complex – employers must also calculate and make sickness and maternity payments – the DSS and the Revenue have become more zealous in finding errors, collecting underpaid tax and penalising employers for mistakes.

Employers rarely experience problems with clearly identified amounts of wages paid to full-time employees but difficulties can arise with payments in kind instead of cash and also where there may be differences of opinion about the status of an employee, for example, a self-employed or casual worker.

In cases of doubt, the safest decision is to subject that particular person or payment to PAYE because refunds can always be claimed, says Anderson.

But if there is an under-payment the employer will usually be asked to settle both his and the employee's liability together with a penalty and, under the latest legislation, interest as well.

If the sight of all the government leaflets is too daunting, the employer is best advised to ask his accountant to do all the work, says Anderson. If he does it himself he must leave enough time to do it properly. If he pays his people on Friday he must not leave his calculations until after lunch on that day, she advises.

When possible staff, should be paid on a monthly rather than a weekly basis since this will reduce the number of times the calculations have to be performed. They should be paid by cheque or bank transfer since transporting cash is a dangerous and expensive business.

If the number of employees justifies it or if computers are already used for other purposes, it may prove economic to computerise the payroll.

However, a computer cannot take over the decisions which will have to be made about what income is subject to tax or the status of a particular employee.

* *Published by Kogan Page, 120 Pentonville Road, London N1 9JN. 172 pages. £6.99 + £1 p&p.*

Charles Batchelor

In brief...

■ More than one in four small businesses had to write off a bad debt during the past year, according to a survey commissioned by National Westminster Bank. Of these, one in 10 regarded the effect to have been serious.

Of the companies experiencing bad debts 30 per cent said the problem was worse than it was 12 months previously. Almost two thirds of all small businesses now obtain their supplies on trade credit while nearly a half are, in turn, granting credit to their customers.

A surprising finding of the survey was that few businesses – only one per cent – had come under pressure from their suppliers to pay earlier, contrary to accepted wisdom.

The survey, conducted in January, covered 1,279 small businesses with an annual turnover of less than £1m.

■ The Uniform Business Rate may have an even more damaging impact on small businesses than was initially assumed by its critics, according to revised figures from The Forum of Private Business, a small firms lobby group.

The Forum calculates that 45,000 businesses may have to close because they are faced with a tripling of their rate demands under the new system introduced last month. Its original estimate, made before rate bills were sent out, was that 40,000 firms would be hit.

The smaller the business the higher the rates increase which has been imposed, the Forum said. Businesses with turnover of up to £50,000 face an average rate increase of 31 per cent; businesses with turnover of £50,000 to £349,000 face rises of 25 per cent while businesses with sales of £350,000 to £1.5m face rises of just 8 per cent.

The Forum is pressing for a two-tier rating system to reduce the burden on small firms. On average, rates swallow up to 25 per cent of small firms' profits compared with just 3 per cent of the profits of public limited companies.

■ A directory listing the 150 winners of the 1989 Small Firms Merit Award for Research and Technology (SMART) has been produced by the Department of Trade and Industry. The directory, which is being sent to financial and technology transfer organisations, is intended as a source of information for potential investors.

A total of 1,300 companies has applied for the 1990 award compared with just 800 last year. The winners, which are judged for their innovative technology and business potential, receive up to £37,500 to help develop their product or process.

Available from DTI regional offices or by ringing 01-215 6485.

■ Midland Bank has launched a nationwide chain of 350 Enterprise Centres in branches in England and Wales offering a service to small businesses. The centres are staffed by one or more small business bankers known as enterprise managers.

This action forms part of Midland's segmentation of business customers into more clearly defined groups. Enterprise customers are defined as businesses with turnover of up to £250,000.

■ A series of two-day seminars on growth strategies for smaller companies will be held in London, Manchester and Cambridge between May and August. The seminars will look at planning procedures, identifying management skills and marketing strategies.

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- Good order book.

Atlanta Trust Limited
An institution authorised under the Banking Act 1987.
The company operates from leasehold premises at Lloyds Wharf, London SE1 and specialising in the provision of second mortgage advances to the non status market.
- 1989 interest income £2.2 million.
- Current loan book £5.2 million.
- A history of profits over 27 years.

For further information please contact: CG Bird, FCA, Price Waterhouse, No.1 London Bridge, London SE1 9QL. Telephone: 01-378 7200 (071-939 3000 from 6 May 1990). Fax: 01-334 5566 (071-334 5566 from 6 May 1990).

Price Waterhouse

Price Waterhouse is authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business. SIB number 105007.

LEONARD CURTIS

BY ORDER OF THE JOINT ADMINISTRATIVE RECEIVERS
KEITH DAVID GOODMAN FCA and PHILIP MONJACK FCA

IN THE MATTER OF

TECHMOST ELECTRONICS LIMITED
TECHMOST COMMUNICATIONS SYSTEMS LIMITED
TECHMOST STAFF SERVICES LIMITED

Offers are invited for the business and assets of these established companies operating as distributors of computer components; installers of large scale telecommunication systems and suppliers of specialist staff for the telecommunications industry.

Situated in modern leasehold premises in Bishop's Stortford, Herts., with excellent access to motorway links.

Enquiries to be addressed to the Joint Administrative Receivers
Leonard Curtis & Company, Chartered Accountants, 30 Eastbourne Terrace, London W2 6LF
Tel: (01) 262 7700 Fax: (01) 723 6059
Ref: 3/DCG

Superwear Manufacturers (Coventry) Ltd.

For sale as a going concern the business, assets, goodwill and order book of the company's hosiery manufacturing, dyeing and finishing plant.
- Two freehold properties in Coventry comprising:– 8,400 sq.ft. and 20,500 sq.ft. of office, factory and storage space together with large loading areas.
- Fully automated dyeing plant.
- Fully automated hosiery plant.
- Motor vehicles, chemical stocks.
- Combined annual turnover to November 1989 £2.2m.
- Full order book.
- 80 staff including administration staff and skilled technicians.
- Good communication links – M6/M1.

For further details contact *R. Hocking FCCA, FIPA*, Joint Liquidator (Ref. 13/PJC).

Stoy Hayward
A Member of Horwath International
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CASHMOR MANUFACTURING LTD.
(In Receivership)
FOR SALE
MEDICAL EXAMINATION GLOVE MANUFACTURING PLANT

The Medical Examination Glove Manufacturing Plant of Cashmor Manufacturing Limited is offered for sale as a unit. The plant comprises:
- 38,000 sq. ft. (999 year lease – nominal rent)
- 3 vertical dip action production lines
- Trained workforce available locally

Interested parties should apply for brochure to:
John Donnelly, Receiver,
Cashmor Manufacturing Ltd.,
c/o Deloitte Haskins & Sells,
43/49 Mespil Road, Dublin 4.
Telephone Dublin 604400/605500.

Deloitte Haskins+Sells

CHRISTIE & Co

Upon instructions from Mr R Garthwaite M.A (Oxon) F.C.A., of Brown Butler & Co Chartered Accountants. Liquidator of Alaska Bar Ltd.

HUDDERSFIELD
The Alaska Restaurant

Superbly presented premises, excellent trading location close to town centre and ring road. Restaurant (50), lounge bar (40). Well equipped catering kitchen. Unexploited trading potential. Excellent business opportunity. 19 yrs remaining of 20 yr lease.

£80,000 leasehold
Leeds Office *Ref 54/8415*

LEEDS OFFICE
0532-459667

REPROPRINT LIMITED

The Joint Administrative Receivers offer for sale the business and assets of Reproprint Limited.
- Web and sheet fed printers
- Annual turnover £5.5 million with blue chip accounts
- Recently re-equipped with modern machinery for in house repro-printing and finishing
- New freehold property in Rossendale Valley, Lancashire with excellent motorway access

For further information please contact the Joint Administrative Receiver:
P. Ramsbottom

KPMG Peat Marwick Corporate Recovery
7 Tib Lane, Manchester.
Tel: 061-832 4221. Fax: 061-832 7265.

MENSWEAR RETAILERS

Selling through multiple concession outlets (shop within a shop). £1.5m minimum sales with excellent margins.

Write for further details to Box H6165, Financial Times, One Southwark Bridge, London SE1 9HL.

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Thriving, highly profitable and established North East firm in construction business for sale by owners wishing to retire. Company control 70% of regions market for pre-fabricated trusses because of its quality and service. Profit averages 20% sales and considerable scope for growth remains. Represents excellent route into US construction industry.

Serious enquires to Mr. Reed in France: (33-1) 39 69 34 56
or write to box H6168, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

shuss

KENT SHUSS LIMITED
In Receivership

The Joint Administrative Receivers offer for sale the business and assets of this company engaged in the wholesale of ski-wear, accessories and high quality sports footwear.
- Leasehold premises in London NW10
- Shuss trade name
- Valuable agencies
- Substantial order book
- Turnover c. £1·8M p.a.
- Considerable stocks

For further details please contact the Joint Administrative Receiver:
Patrick Wadsted,
Kidsons Impey & Partners, Spectrum House
20-26 Cursitor Street, London EC4A 1HY
Tel: 01-405 2088 Fax: 01-831 2206

KIDSONS IMPEY & Partners

Springline Spares Limited
(In Receivership)

The business and assets of the above company operating from leasehold premises in Sheffield, Yorkshire are available as a going concern.
- Established business engaged in the manufacture and reconditioning of commercial vehicle leaf springs with a customer base in excess of 200 customers.
- The company has successfully diversified into related markets.
- Annual sales of approximately £1.5 million.
- Implementation of BS 5750 Part 2 Quality Standard is in progress.
- Orders on hand in excess of £100,000.
- Two sales branches operate from leasehold premises in West Bromwich and Bridgend.

For further information please contact: A.P Brereton FCA, The Joint Administrative Receiver, Price Waterhouse, York House, York Street, Manchester M2 4WS.
Telephone: 061-228 6541. Fax: 061-228 1429.

Price Waterhouse

SIGN MANUFACTURING COMPANY

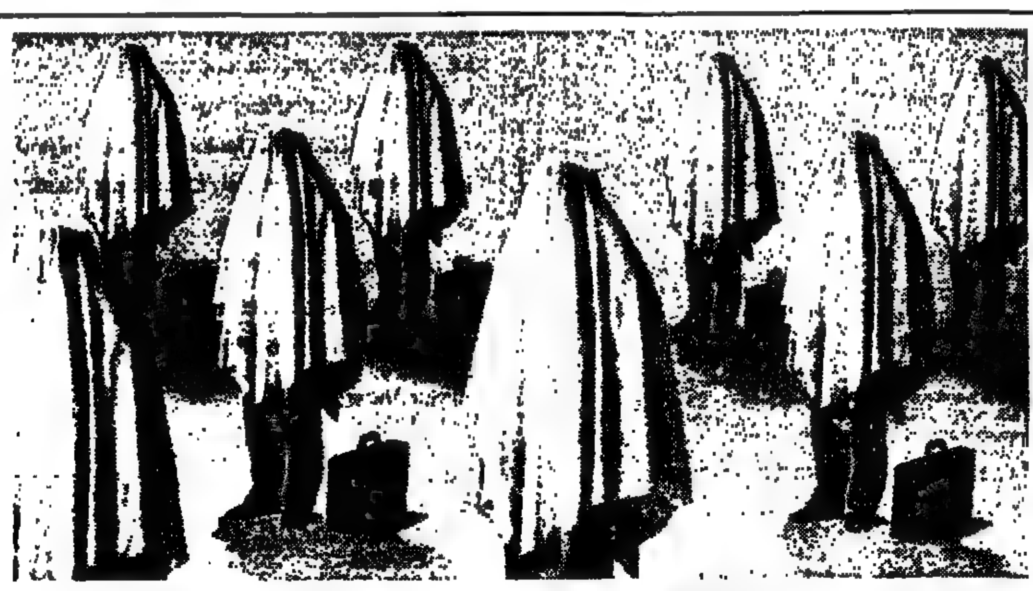
The company designs, manufactures and installs a comprehensive range of signs covering commercial and public buildings. Customer Base Blue Chip.
Current T/O is £650,000. P&L is £60,000. The Management team operate the company without the direction of MD.
The Owner wishes to retire hence reason for sale.

Interested parties please write to
Stanham Holdings Ltd, 31 Canon's Hill, Old Coulsdon, Surrey CR3 1HB

The Joint Administrative Receivers offer for Sale the business and assets of:-

ENGINE RECONDITIONING (WARLEY) LTD
- West Midlands (Tipton) based
- Leasehold (8,000 sq ft) premises close to the motorway network
- Reconditioning PLANT - HGV, PSV Etc
- Engine Spares

For further information please contact the Joint Administrative Receivers: T C Lammas Esq and I F Philips Esq, Castle & CO, Priory Chambers, Priory Street, Dudley, West Midlands, DY1 1HD. Tel: 0384 239021



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☐ Please telephone me to arrange a confidential meeting without obligation. ☐ Please send me further details of The Business Exchange and how it operates.

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Please send me more information about Stoy Hayward's service for family businesses. ☐
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Company _____
Position _____
Address _____
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ELECT CONTRACTORS - N. HOME COUNTIES - Well estab Co. Full order book. Sabstl PLC customer base. T.O. £1.4M last fin year. Requires investment to sustain Co growth. Would consider sale of entire shareholdg Offers (Ref ZG24133D)
S. BEDS - ELECT CONTRACTOR - T.O. £697,413 AT 24.4% GP Major Contracts inc CC, Breweries. New 12 yr lse. £150K (REF ZG17184D)
FAST FOOD CHAIN - Franchised with Major Co. 16 outlets Mainly Take Away T.O. £2.5m. Price inc 2 f/holds £2.5m (Ref PGM1004K)
NORTHERN - DESIGN AND BUILD CONTRACTOR - Proj T.O £15M Majority of contracts London/H. Counties. Excel growth. Estab 38 years F/Hold prems £1m +/- Current net assets (Ref ZCB24135)
N. HOME COUNTIES Prec ENG - 26 years estab. co. has bias to medical sector. Own unique product provides 30% of T.O. Retirement sale. 4500 sq. ft. prems. Vast plant/equip. Guide price £100k or £300k with F/Hold (Ref ZEM24134D)
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Write to the General Manager

HAULAGE CONTRACTORS AND WAREHOUSE OPERATORS
HAYDOCK/MERSEYSIDE

DEPOTS:- ENFIELD
DOUGLAS (ISLE OF MAN)

The Joint Administrative Receivers offer for sale as a whole or in part, the business and assets of the above road haulage contractors and warehouse operators, as a going concern.
- Turnover: In excess of £3.5 Million
- Premises: leasehold
- Modern fleet including refrigerated trailers
- Good customer base
- Conveniently located for motorway network
- Isle of Man and European operations

For further information please contact the Joint Administrative Receivers: Andrew Thompson or Tim Beer

KPMG Peat Marwick Corporate Recovery
Richmond House, 1 Rumford Place, Liverpool L3 9QY.
Tel: 051 236 5052. Fax: 051 236 1882.

The Joint Administrative Receivers offer for sale as a going concern the business and assets of

IMPALA DISPLAYS LIMITED

(IN RECEIVERSHIP)

Based in Ipswich the Company designs and manufactures point of sale and shopfitting displays Recognised as a UK Market leader, new opportunities are currently under development in both Europe and the U.S.A.
- 6 Leasehold or Licenced units comprising 35,500 sq ft.
- Modern, large capacity on line powder plant.
- Order book and established customer base.
- Reputation for innovation and quality (CAD facility).
- Turnover 1989 £3.2m.
- Strong management team and workforce

For sales particulars please contact the Joint Administrative Receivers: JM Sisson and RM Addy, Cork Gully, The Atrium, St Georges Street, Norwich NR3 1AG, Tel: 0603 619425 Fax: 0603 631060.

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Cork Gully

CHARLES ROCHE LIMITED
(In Receivership)

The joint administrative receivers offer for sale as a going concern the business assets of a sales agent recruitment company based in Altrincham, Cheshire specialising within the clothing and textile industry. Assets comprise:
- Extensive database of professional sales agents;
- European and UK client list; and
- Stocks of "The Roche Directory".

For further details contact either:
Stephen Quinn or Nick Hancock
BDO Binder Hamlyn
Scottish Provident House
52 Brown Street
Manchester
M2 2AU
Tel: 061-831 7121 Fax: 061-833 0669

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TELECOMMUNICATIONS COMPANY FOR SALE

GTR Manchester location. Turnover 12 months to 31/10/89 £377k. Gross margin £127k. Business can be operated by owner plus 2 staff. Fully computerised office on lease. Dealership for Canon, Panasonic, Casi. Potential for expansion into general office equipment. Owner prepared to consider training period. Fixed assets approx £30,000.
Offers to Fax (0706) 861520

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Telephone: 01-935 2748
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- Based at Grimsby, South Humberside
- Annual turnover £10 million
- Output 4,600 tonnes blocks and individually quick frozen fillets
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- Long leasehold property
- Well maintained manufacturing and processing equipment

For further information write to

Box H6155, Financial Times,
One Southwark Bridge, London SE1 9HL
(Principals only please)

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- Planning permission for change of use to hotel, conference centre, accommodation extension, health club and staff facilities.
- Two excellent 9 hole courses. Double tees on King's Course. Par 3 Queen's Course.
- Clubhouse, practice ground and lodge.

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LOWNDES LTD 5 CHESHAM STREET
LONDON SW1X 8ND TELEPHONE: 01 823 2080

By Order of the Administrator
E J Dunell Esq F.C.A.
FOR SALE
the assets of
B J ELECTRONICAL WHOLESALERS LIMITED - In Administration
Leasehold outlets in Bournemouth and New Milton with possibility of acquiring freehold in Bournemouth.
All enquiries to: Roger Townsend,

EDWARD SYMMONS & PARTNERS
P O Box 21, Totton, Southampton Telephone: 0703 668032 Fax: 0703 673170

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Tel: 061 835 3331 Fax: 061 833 9752

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Freehold Hotel Property 3500m² built in large building site and parkland of 6600m² surface area with provisional planning permission to build an extra 3100m² for new development. Rare and unique property, one hour from Geneva in a major city centre location at the foot of Mont-Blanc. For further information, please

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MERGER/ACQUISTION OPPORTUNITY

- Well known, long established and expanding video post production and graphic group offers mergers/acquisition opportunity
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- The business is presently based in the West End of London and is supported by a regional distribution network.

Principals only. Please write Box H6161, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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T/O up over 14½% this current year ending 30th April 90.

Please write to Box H6162, Financial Times, One Southwark Bridge, London SE1 9HL

Touche Ross

Specialist Shelving and Joinery Business operating from new 190,000 sq. ft. freehold factory

On behalf of our clients, the businesses and assets of three specialist shelving and joinery businesses are offered for sale.

The principal activities of the businesses which operate from three separate sites in the North of England are:
- Manufacture of shelving and specialist display equipment;
- Shopfitting and specialist joinery;
- Manufacture of exclusive kitchen and bedroom furniture.

- Annual turnover at £7.9, £1.7 and £0.6 million respectively.
- Customers include major blue chip retailing organisations.
- Skilled and experienced workforce.
- Modern, fully equipped engineering plant and warehousing.
- Freehold property of 190,000 sq. ft. on a 13 acre site.
- Leasehold properties of 18,000 sq. ft. and 17,500 sq. ft.

The businesses are offered for sale individually or as a whole.

For a brochure or further information, please contact David M. Eagle at the address below.

Eleven Albion Street, Leeds LS1 5PJ. Tel: 0532 444741. Fax: 0532 448942.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Steel Stockholder

The business and assets of CT Tubes are offered for sale by the Joint Administrative Receivers.
- Based in Consett
- Premises comprise 20,000 sq.ft. of freehold factory and ancillary office accommodation
- Excellent overhead crane age
- Turnover exceeds £2m p.a.
- Plant, machinery and stock amounting to over £100,000

For further details, please contact
Roger M. Griffiths, Ernst & Young,
Central Exchange Buildings, 93A Grey Street,
Newcastle upon Tyne NE1 6EJ.
Tel: 091-221 1222. Fax: 091-261 2916.

Ernst & Young

Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

The Receiver offers for sale a Nursing Home

Lancaster Nursing Home, which is situated in the attractive village of Waltham on the Wolds near Melton Mowbray on the Leicestershire/Lincolnshire border, provides comprehensive and well run nursing facilities for the elderly and is registered for care of the terminally ill, the physically handicapped and chronic sick.

The home, which is situated in grounds extending to six acres, comprises substantial well maintained freehold premises, which recently have been refurbished and extended to an excellent standard, including a matron's flat in the home. The home is registered for 50 beds, enjoys high occupancy levels, and has an established and efficient staff. There is significant potential for further development.

Interested parties requiring further information should contact:
Adrian R Stanway, Receiver, Cork Gully, 5 Town Quay,
Southampton, Hampshire. Telephone 0703 632772,
Fax 0703 330493.

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Cork Gully

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London SE1 9HL

Burlington Investments Limited

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For further details please contact in the first instance.

Yolanda Craig
Burlington Investments Limited
25/26 Old Burlington Street,
London W1X 1LB
Tel: 01-439-6421
Fax: 01-439-1979

CTNs For Sale

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T/O £2.3 million
5 Units in Lancs
1 in Colwyn Bay.
Quick deal essential; hands on management
Enquiries only please to:
0274 729904.

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Dynamic, profitable monthly business magazine generating £¼ million per annum.

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Reasons of health/age wish to sell my metal mfg. business ca. 80+ employees turnover DM1,250,000 +/mo. Order backlow DM3,000,000 +. Return excellent. New 3,500 sq.m. plant, super modern machinery. top name in long term growth industry. Sales 1982: DM4,800,000 Sales 1989: DM13,600,000 Strong balance sheet/ Price idea: DM25,000,000, Principals only. Fax: (0044)-481-83) 2074 attn: Apl.18K.

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(between Richmond & Heathrow) for sale

Details from: Martin Campbell & Co, 6 Duke Street, Richmond TW9 1HP Tel: 081 940 2266

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Media and presentation training operation based in 3-camera studio and offices in SouthWest London. Lease, technical equipment, expertise, good client list. Management seeking to concentrate on film production. £120,000 no offers.

Write box H6163, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BUSINESS MAN

with private jet (Citation II) presently under utilized looking for 50% partner capital outlay $1m annual upkeep approx 10%

Contact Mr C.T. Sullivan
Tel-01 253 6106 or 0277 221358

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Established electrical engineering company based in Poole, Dorset. Freehold factory unit, skilled workforce, turnover £280K, profitable.

Write Box H6156, Financial Times, One Southwark Bridge, London SE1 9HL

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Four leasehold Georgian properties, Ashley Courtenay recommended commercial & tourist hotel, many rooms with facilities, restaurant, bar, lounge, laundry, lift, good occupancy t/o £450,000 net. (Dec 89). Further development potentials.
Price £1.7 million O.N.O.

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FOR SALE AS GOING CONCERN WITH HIGH VOLUME PETROL FILLING STATION AND MINI-MARKET

Substantial Offers Sought
Principals Only Contact:
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Established Office & Contract Furnishers

T/o £1M+
Major Dealerships,
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Midlands Area.

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Write to Box H6158, Financial Times, One Southwark Bridge, London SE1 9HL.

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Specialising in own brand tailor made holidays. Home counties. Turnover £2m plus. Can include prime position. Freehold if desired.

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FOR SALE PROFITABLE COMPANY

Engaged in import/export of spare parts for classic Lamborghini and Ferrari cars. Annual turnover approx £600,000.

Write to Box H6145, Financial Times, One Southwark Bridge, London SE1 9HL

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BUSINESS SECTION ALSO APPEARS ON PAGE 14 TODAY

COMMODITIES AND AGRICULTURE

Gold rate falls as holidays cut trading activity

By Kenneth Gooding, Mining Correspondent

A SMALL amount of selling by Middle East sources was enough to send the price of gold tumbling by $3.25 a troy ounce yesterday to $367.25 (£229), the lowest London closing level for seven months.

However, traders and analysts suggested that the fall was mainly due to a lack of activity in the market because of holidays this week in Japan and continental Europe.

"There has been a confluence of holidays – Easter, Ramadan, the Passover – which has more or less prevented normal bullion trading since the March 26 collapse," Mr Andrew Smith, precious metals analyst with UBS Phillips & Drew, said.

This week is Golden Week in Japan, where there are public holidays on Thursday and Friday as well as yesterday. Many continental European countries, including the main gold trading centre Switzerland, have a holiday on May 1.

Mr Smith said that chartists suggest the next significant technical support point for gold remained $360 an ounce. "Gold is still in No Man's Land," he said.

A survey of leading bullion dealers by the Toronto-based American Precious Metals Advisers consultancy group found that they all believe the price will stay between $360 and $400 an ounce for months to come. "Any surprise move *outside this range is likely to* be on the downside," said Mr Jeffrey Nichols, managing director of APMA.

Dealers said that participation by investors and speculators in the gold market evaporated to a large extent following the unexpected $20 an ounce fall to $368 on March 26. Many of the dealers are themselves reluctant to take significant positions in the market because they suffered big losses as prices fell sharply. Consequently, trading volume and volatility in the gold market are both down.

Comex's president goes after 9 months

By Barbara Durr in Chicago

Arnold Staloff: highly regarded as an innovator

THE RESIGNATION of Mr Arnold Staloff, the president and chief executive officer of the New York Commodity Exchange (Comex), takes effect as of today.

Mr Staloff's resignation, announced late last week, reportedly stemmed from poor relations with trader leadership at the exchange, particularly with Mr Martin Greenberg, a trader who became Comex's chairman last month.

Mr Staloff, who was recruited to Comex only last July after 16 successful years at the Philadelphia Stock Exchange, is highly regarded as an innovator. He had introduced foreign currency options in Philadelphia and developed that exchange's computerised trading system. But he has been unable to launch any new products at Comex, which has not had a new contract prosper since gold futures in the 1970s.

Mr Staloff's departure signalled increasing instability in the exchange's leadership. Mr Greenberg is Comex's third chairman in less than a year and he, along with other staff, will assume Mr Staloff's duties on a temporary basis.

Comex's long-awaited merger with the New York Mercantile Exchange, the energy market, is expected to hail to a consolidated leadership. Mr Patrick Thompson, Nymex president, is a probable candidate for merged entity.

Prospects healthy for NY futures in arabica

By David Blackwell

NEW YORK'S arabica coffee futures are likely to rise as the last wave of roaster buying comes into the market for the third quarter, according to E.D.&.F.Man, the London trade house.

But London's robusta futures will be held down by the arrival of new crops from now onwards, Man says in its spring Futures Review.

The New York market could rally because of limited physical availability of arabicas. Given that the other leading mild producers (mainly central American) have already sold most of their 1989-90 crops, demand for Brazilian coffee should rise over the next few months as roasters cover their remaining short-term requirements, says Man. However, it is far from certain whether Brazil will be a heavy seller before the new crop is available in June/July.

The London market could continue to get background support form the unsettled political situation in the Ivory Coast. But the physical availability of robustas will increase in the next few months as a result of the unexpected record conillon crop in Brazil, and the new Indonesian crop becoming available from May/June.

Man, which expects a fairly tight trading range for robustas over the next few months, also cites the amount of robusta coffees in European ports and the reluctance of roasters to increase robusta usage in their blends.

July robusta closed last night in London at £668 a tonne, a fall on the day of £4.

Man is recommending selling cocoa if the London July contract reaches £900 a tonne – a level it does not expect the market to hold for very long. July cocoa closed last night at £855 a tonne.

"With stocks at around seven months consumption and demand very price sensitive, any big advance in prices is likely to both adversely affect consumption growth and attract considerable trade selling," the review says.

Meanwhile Malaysia, the fourth biggest cocoa producer, appears more amenable to attempts by African producers to persuade it to join the International Cocoa Agreement.

"It would probably be in the interests of Malaysia to remain outside the pact, says Man. But its inclusion would "alter the whole complexion of the pact and give it tremendous extra clout," says Man. For the first time all the major producers would be included, "giving the pact a stature essential for its long-term success."

Mixed reactions to EC price package

By Bridget Bloom

THE EC's 1990-91 farm price package agreed in the early hours of Friday morning has provoked mixed reactions from Europe's farmers. While in Britain there has been clear satisfaction at an average 9 per cent increase in support prices, the French farmers' union, FNSEA, attacked the deal as "the worst compromise in a long time."

The package, agreed after two and a half days and nearly a night's negotiation, "respected the initial aims of the Commission" which published its proposals last December, claimed Mr Ray MacSharry, the Agriculture Commissioner. It will freeze prices in Ecu terms, respect the EC's obligations within the General Agreement on Tarrifs and Trade and will help small farmers adjust to the reforms of the Common Agricultural Policy introduced since 1986.

The new deal, which is not greatly different from the compromise rejected by farm ministers at their previous council on March 26-29, relies on a number of ingenious devices, notably in the cereals and agrimonetary sectors, to remove the political objections of Germany, the Netherlands and Greece to the March proposals. However, Mr Henri Nallet, France's agriculture minister, abstained in the final vote.

One of the most important of these measures was the commitment by the Commission to reduce the delays in making payments for cereals bought at guaranteed prices into publicly financed intervention from 110 days to 30 days for cereals and to 45 days for dairy products.

For the UK, some observers believe, this could virtually cancel out the 3 per cent cut in the intervention price due on July 1 under the EC's cereals stabiliser regime because last year's harvest topped 160m tonnes. It would be less significant in countries such as Germany and the Netherlands where interest rates are lower.

However, for many countries and particularly the UK, adjustments to the Commission's original proposed alterations to Green currency rates – at which Ecu support prices are translated into national currencies – softened the impact of the Ecu price freeze. The package was made politically more palatable to the German and Dutch ministers since there was no revaluation of their Green rates for cereals and thus no decrease in domestic farm prices for grain.

For the UK, the original Commission proposal provided for an average reduction in the current gap between the Ecu and the Green Pound of a third, which would have been on course to eliminate the gap entirely with the creation of the Single Market in 1992. In the event, reductions of 60 per cent were agreed for cereals and 40 per cent for the dairy sector. Officials calculate support prices will rise by 9 per cent, adding £500m to farmers' income in a full year.

The UK's food price index is expected to go up by just over half a per cent, with the retail prices index rising by one-tenth of one per cent.

France and Ireland will see an increase in support prices of about 2 per cent for most commodities, Italy between 1.3 and 3 per cent and Greece between 5 and 13 per cent. Spain, regarded as a strong currency country, had a small revaluation of its Green rate, although not on cereals, beef, fruit and vegetables.

The Commission estimated that the total cost of the package, including the measures for small farmers would be Ecu334m in 1990 and Ecu1090m in 1991, well within the guidelines set for the farm budget. While the UK's NFU welcomes the package, the French condemned it and German farmers were more cautious.

Mr David Naish, deputy president of the NFU, said yesterday that while the package would have no impact on this year's crop it would help stabilise production next year.

Dr Helmut Born, deputy secretary of the West German farmers union, the DBV, said the agreement was better than earlier proposals, although farmers would still face a price cut of about 2 per cent.

Editorial Comment, Page 22

Pets that can lead the way to a dog's life

Farmers who follow the example of their faithful friends will receive few rewards

DOGS ARE such grateful creatures. Send them around a 50-acre field to herd a flock of sheep and they will come back and lick your hand. Order them to swim across an almost frozen pond to bring back a shot pheasant and they will return with the bird and then roll over on their backs in submissive pleasure.

That is why most farmers have dogs. But unfortunately they sometimes behave like their pets.

Recently, Mr John Gummer, the Agriculture Minister came back from Brussels with a farm price package for the coming year. By partially devaluing the green pound – the imaginary currency used to calculate import subsidies and export taxes to and from other EC states – the package will raise the guaranteed minimum prices of most UK farm products.

That does not necessarily mean that farm gate prices will rise because some commodities trade at above the guaranteed level. It will, however, raise fall-back prices in the case of arable crops by 10.7 per cent, milk by 7 per cent, beef by 8.5 per cent and sheep by 11 per cent. Provision has also been made to cut the delay in payments for products taken into EC intervention stores from 120 days to 30 days – in other words to restore the timetable which existed five years ago.

Reactions from UK farm leaders have been a bit like those of their faithful dogs. They have metaphorically licked the hand of the minister in undisguised delight. But the reason why he was able to devalue the green pound by 60 per cent of the differential for arable crops and 40 per cent for dairy products was because he and his predecessors had failed to account adequately for the falling value of sterling for several years previously. This thereby denied UK farmers their rightful rewards within the Common Market.

I agree, of course, that last week's negotiations resulted in the greatest improvement in UK farming prospects for at least five or six years. This should, though, be judged against the background of the halving of UK farm incomes in real terms over the last 10 years and alongside the fact that most UK guaranteed prices will still be substantially

FARMER'S VIEWPOINT

By David Richardson

below those in other EC countries.

Paradoxically most other agriculture ministers whose countries were already members of the EMS had no green currencies to devalue. Almost the only concessions they were able to wring from the Commission last week were those that speeded up payment for intervention sales. They have had to return home with what amounts to a virtual farm price freeze.

A few phone calls to farming friends across the North Sea over the week end confirmed what I had suspected – that the thousands of farmers who have demonstrated on their tractors in Holland, Germany and France over recent months against the prices they have been receiving will be out on the street again soon in protest at what they see as an insulting settlement. European breeds of dog are sometimes more aggressive than their brothers in these islands.

Meanwhile on a more practical theme I have been studying prospects for potatoes – a crop which does not benefit, or perhaps more accurately suffers, from being part of the EC regime.

Here in the UK, kind spring weather enabled farmers to plant into excellent seed beds and earlier than for many years. It is not unusual for one third of the main crop to be planted in May. This year it was almost all completed, even in Scotland, by the end of April.

Some crops planted for early harvesting were in fact so forward that they were damaged by the severe frosts of mid-April. *But potatoes are a hardy* plant and most have since recovered. Apart from delaying harvesting, the frost will have had little effect on yields and that may have disappointed some growers.

For there can be little doubt that the possibility exists for a bumper crop of potatoes in the UK this year and glutted markets mean low prices. As one substantial grower said to me the other day: "What we need is a drought for the rest of the summer to cut the national yield and push up prices." Needless to say, the whole of his crop can be irrigated.

On the face of it he ought not to be worrying about the price of actual potatoes but instead hedging his crop on the London potatoes futures market. So far this year, while the UK average producer price for physical potatoes has risen gently from about £112 per tonne in January to £135 to £140 per tonne last week the futures price for May has fluctuated between £170 and £250.

The fact that the futures price – which admittedly insists on a higher quality than the average consignment traded – is so very different to the physical price is causing concern to many who fear that futures are in danger of distorting the physical market. And although hedging by farmers might appear to be an advisable policy in order to lock in a margin it is thought, although not known for certain because of brokers' confidentiality, that relatively few of the UK's 15,000 potato growers use the futures market at all.

One reason may be a lack of understanding of how the system works. Another is certainly the fear of margin calls which can clearly add up to as much *as the principal if* you get it wrong. There have been some well-publicised instances in the potato growing areas of some farmers and merchants being caught for massive margin calls and of some being bankrupted in the process.

There is also unease that a handful of speculators apparently dominate the potato futures market. The Bank of England investigated allegations that speculators had acted as a "concert party" to manipulate prices a couple of years ago and gave the market a clean bill of health. Nevertheless, most unsophisticated potato growers do not trust the futures market, preferring to sell real potatoes in the conventional way.

If the Government in its recent review of the Potato Marketing Board had abolished that body's statutory powers to control the area grown and allowed a free for all as in other EC countries, more growers would have been forced to come to terms with the complications of futures trading. For the present, however, the dream of apparent security has been preserved within the new PMB structure and farmers feel that their markets will still be supported, albeit from their *own contributions, and* prevented from falling to disastrous levels. If drought does not materialise and 1990 produces the massive crop that appears possible that belief may well be tested.

BRITISH SUGAR

TWO weeks ago in Farmer's Viewpoint I discussed farmers disillusionment with the monopoly processor of sugar beet, British Sugar, a Berisford International subsidiary.

In so doing I suggested that British Sugar had sold 'C' sugar to J H Raynor, another Berisford company at below world price, thereby leaving beet growers at a disadvantage and that £1.78m had yet to be paid to growers on account of this.

It has since been made clear to me by British Sugar and confirmed by the NFU that all monies relating to 'C' sugar for past years have been paid and that payments for 1989-90 are not all yet due.

WORLD COMMODITIES PRICES

MARKET REPORT

COPPER declined sharply in the morning pre-market on the LME on aggressive trade and commission house selling, which appeared to be linked to options positions, traders said. The trend reflected a lack of fresh supportive factors and expectations of a steady build-up in warehouse stocks on both sides of the Atlantic in the short term. The market recovered a little, but had wiped out last week's gains by the close. LME stock figures are due out today. Prices were well down on Comex by midsession. Zinc prices held steady as dealers awaited *news of the level of bids at the* US Mint tender for 5.8m lbs of metal for May delivery. In the morning the market continued last week's bull trend against background of a tight concentrates sector and fears of a squeeze on LME June supplies. But after three-month metal reached $1,680 a tonne prices eased slightly with copper. In Chicago soyabeans traded lower by midsession, under pressure from larger than expected deliveries against May contracts, indicating weak demand for cash beans. Some traders believe it is only a matter of time before bearish factors like the South American harvest pressure *prices further.*

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$14.65-4.75x	-0.5
Brent Blend	$17.15-7.20x	-0.5
W.T.I. (1 pm est)	$18.45-8.47x	-0.16
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$216-218	+2.0
Gas Oil	$161-162	+1.0
Heavy Fuel Oil	$83-84	
Naphtha	$158-160	-1.0
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$367.25	-3.25
Silver (per troy oz)♣	492c	-3.00
Platinum (per troy oz)	$468.75	-4.85
Palladium (per troy oz)	$117.00	-5.95
Aluminium (free market)	$1500	-6.0
Copper (US Producer)	126.0c	-9.5
Lead (US Producer)	45c	
Nickel (free market)	420c	
Tin (Kuala Lumpur market)	16.98r	-0.23
Tin (New York)	298c	+3.00
Zinc (US Prime Western)	83.50c	
Cattle (live weight)†	111.53p	-0.55*
Sheep (dead weight)†	233.95p	-1.59*
Pigs (live weight)†	100.50p	+0.14*
London daily sugar (raw)	$362.6t	-2.40
London daily sugar (white)	$402.0t	-1.50
Tate and Lyle export price	£360.50	-1.50
Barley (English feed)	£108.5	
Maize (US No. 3 yellow)	£140t	+2.00
Wheat (US Dark Northern)	£118.25y	
Rubber (Jun)♥	57.25p	
Rubber (Jul)♥	57.75p	
Rubber (KL RSS No 1 May)	229.5m	+1.0
Coconut oil (Philippines)§	$360.0v	+2.50
Palm Oil (Malaysian)§	$265y	
Copra (Philippines)§	$230y	
Soyabeans (US)	£175u	+2.00
Cotton "A" Index	84.10c	
Wooltops (64s Super)	562p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. x-Jun. l-May/Jun. u-Apr/Aug. v-May/Jul. w-Apr/May. z-Jun/Jul y-May. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	352.00	351.60	353.00 348.60
Aug	359.40	360.60	361.00 358.60
Oct	355.00	354.80	356.00 352.80
Dec	340.00	340.40	337.00 337.00
Mar	329.60	329.40	329.00 328.00
May	328.00	326.60	326.00
White	**Close**	**Previous**	**High/Low**
Aug	454.0	454.0	455.5 452.0
Oct	416.0	417.0	417.0 416.0
Dec	407.0	407.0	408.0
Mar	402.5	403.0	402.0

Turnover: Raw 4911 (5430)lots of 50 tonnes. White 426 (1177)
Paris- White (FFr per tonne): Aug 2556, Oct 2350, Dec 2300, Mar 2285, May 2285

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Jun	17.23	17.16	17.32 17.15
Jul	17.63	17.54	17.71 17.54
Aug	17.82	17.75	17.92 17.79
Sep	17.90		18.00 17.80
IPE Index	17.09	17.28	

Turnover: 6724 (2378)

GAS OIL – IPE ($/tonne)

	Latest	Previous	High/Low
May	158.00	157.25	158.00 156.50
Jun	153.75	153.25	154.00 152.50
Jul	153.25	153.00	153.25 152.50
Aug	155.25	155.00	155.25 154.75
Sep	157.25	157.00	157.25 156.00
Oct	159.50	159.00	159.50 158.25
Nov	161.50	160.00	161.50 159.50
Dec	162.75	161.25	161.00 158.50

Turnover 3895 (5321)lots of 100 tonnes

TEA

There were 23,617 packages on offer this week including 7,420 offshore, reports the Tea Brokers' Association. The few brightest East Africans were firm to dearer while medium Kenyas met a more selective enquiry at irregular rates following quality. Plainer teas showed little change on balance. Ceylons were well supported and tended dearer with quality. Offshore teas met fair demand but prices proved irregular and often easier. Quotations: quality 220p (220), medium 140p (140), low medium 98p (98).

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
May	837	830	846 828
Jul	855	846	867 851
Sep	873	862	884 868
Dec	887	881	902 886
Mar	906	899	915 902
May	919	914	932 931
Jul	934	928	945 930

Turnover: 5181 (6600) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Apr 27 (1023.54) 10 day average for Apr 30 (1046.98)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low
May	655	661	660 643
Jul	668	672	669 658
Sep	678	681	677 668
Nov	691	695	690 685
Jan	701	705	704 698
Mar	716	721	716 715
May	732	735	734

turnover: 5462 (9120) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Apr 27: Comp. daily 73.53 (73.55). 15 day average 75.55 (75.36)

POTATOES – BFE (£/tonne)

	Close	Previous	High/Low
May	228.9	243.0	234.0 225.0
Nov	130.0	117.5	126.0 125.0
Apr	194.9	180.0	201.0 180.0

Turnover 355 (198) lots of 40 tonnes.

SOYABEAN MEAL – BFE (£/tonne)

	Close	Previous	High/Low
Aug	121.00	130.00	131.00
Oct	135.00	133.50	135.00

Turnover 15 (72) lots of 20 tonnes.

FREIGHT FUTURES – BFE ($10/index point)

	Close	Previous	High/Low
May	1265	1270	1284 1265
Jul	1112	1095	1112 1090
Oct	1210	1200	1210 1195
Jan	1238	1230	1230 1230
Apr	1250		1230 1230
BFI	1361	1375	1361 1361

Turnover 155 (409)

GRAINS – BFE (£/tonne)

Wheat	Close	Previous	High/Low
May	116.70	116.60	17.25 16.70
Jun	118.70	118.75	19.25 18.80
Sep	112.60	110.95	12.50 11.25
Nov	115.60	114.00	15.80 14.60
Jan	118.50	117.90	18.60
Mar	123.00	120.60	22.20 22.00
May	125.75	123.60	25.50 24.40
Barley	**Close**	**Previous**	**High/Low**
May	104.00	104.40	104.00
Sep	110.60	109.15	110.60 110.50
Nov	115.15	113.15	114.75 114.15
May	121.90	119.50	121.60

Turnover: Wheat 269 (590), Barley 73 (349).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	127.5	128.2	127.0
Aug	121.0	119.0	120.0 119.0
Oct	122.0	121.0	121.5 121.0

Turnover 130 (125) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Ring turnover 44,559 tonne	
Cash	1505-7	1503-7	1500	1496-500		
3 months	1524-5	1522-4	1527/1515	1516-20	1520-40	10,870 lots
Copper, Grade A (£ per tonne)					Ring turnover 75,926 tonne	
Cash	1578-80	1624.5	1620/1580	1578-80		
3 months	1510-11	1540-1	1544/1504	1512-4	1516-8	61,325 lots
Lead (£ per tonne)					Ring turnover 10,272 tonne	
Cash	490-1	485-7	488	487-8		
3 months	490-1	487-8	490/485	488-9	489-90	4,125 lots
Nickel ($ per tonne)					Ring turnover 7,332 tonne	
Cash	9250-350	9075-125	9400/9100	9100-25		
3 months	8800-50	8775-800	8900/8700	8700-25	8825-50	1,818 lots
Tin ($ per tonne)					Ring turnover 6,332 tonne	
Cash	6430-50	6410-30	6393/6390	6395-405		
3 months	6540-60	6520-30	6560/6470	6490-500	6550-60	736 lots
Zinc, Special High Grade ($ per tonne)					Ring turnover 16,012 tonne	
Cash	1760-3	1755-60	1760/1753	1758-60		
3 months	1675-7	1669-70	1685/1675	1680-2	1684-6	10,660 lots

LME Closing £/$ rate: SPOT: 1.6365 | 3 months: 1.6103 | 6 months: 1.5869 | 9 months: 1.5695

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	367-367½	224½-225
Opening	371-371½	227½-228
Morning fix	371.55	227.626
Afternoon fix	367.75	224.649
Day's high	371½-372	
Day's low	365½-366	
Coins	**$ price**	**£ equivalent**
Maple leaf	378-383	231-234
Britannia	378-383	231-234
US Eagle	378-383	231-234
Angel	378-383	231-234
Krugerrand	367-370	224½-226½
New Sov.	86¼-87¼	52¾-53½
Old Sov.	86¼-87¼	52¾-53½
Noble Plat	474.35-481.80	290.30-294.80

Silver fix	p/fine oz	US cts equiv
Spot	301.45	493.60
3 months	312.85	504.20
6 months	325.10	515.95
12 months	349.10	539.15

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	July	Sep	July	Sep
1450	84	115	21	36
1550	39	62	65	78
1650	12	29	136	140
Copper (Grade A)	**Calls**		**Puts**	
2350	166	136	57	96
2450	101	91	101	131
2550	61	59	159	215
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	49	64	28	37
700	22	41	54	64
750		26		99
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
800	72	96	17	26
850	32	65	37	46
900	63	36	68	76
Brent Crude	**Jun**	**Jul**	**Jun**	**Jul**
1700			17	
1750	16			
1800				

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	474.4	475.6	474.4	467.8
Oct	481.0	482.1	481.0	473.1
Jan	487.2	488.6	487.2	484.8
Apr	492.0	494.6	492.0	492.0
Jul	498.4	512.0	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	18.49	18.64	18.81	18.41
Jul	19.21	19.20	19.49	19.13
Aug	19.63	19.58	19.77	19.56
Sep	19.95	19.77	19.99	19.86
Oct	20.06	19.96	20.16	20.02
Nov	20.12	19.98	20.17	20.02
Dec	20.19	19.97	20.19	20.05
Jan	20.14	19.95	20.20	20.10

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5130	5075	5160	5095
Jul	5115	5090	5160	5090
Aug	5195	5160	5240	5180
Nov	5530	5465	5550	5505
Dec	5620	5571	5650	5600

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	1278	1253	1278	1260
Jul	1297	1264	1300	1273
Sep	1313	1284	1316	1293
Dec	1334	1303	1335	1313
Mar	1348	1318	1348	1330
May	1362	1334	1348	1348
Jul	1381	1351	1379	1364

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	92.25	92.30	92.80	91.60
Jul	93.73	93.82	94.45	93.10
Sep	95.64	95.64	96.20	95.00
Dec	97.83	98.10	98.60	97.45
Mar	100.25	100.25	100.30	99.60
May	101.15	101.90	0	0
Jul	104.75	104.00	0	0
Sep	105.75	105.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	15.90	15.96	16.01	15.78
Jul	16.02	16.05	16.05	15.86
Oct	15.92	15.93	15.93	15.75
Mar	15.03	15.00	15.04	14.88
May	14.88	14.84	14.87	14.78
Jul	14.65	14.61	14.65	14.60

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
May	73.85	74.69	74.84	73.85
Jul	74.16	74.88	74.88	74.15
Oct	69.30	69.46	69.55	69.25
Dec	66.80	66.95	67.00	66.75
Mar	67.75	67.77	67.75	67.65
Jul	68.00	67.93	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	192.75	192.70	193.25	190.50
Jul	191.80	193.30	192.35	191.10
Sep	186.50	187.40	187.25	186.40
Nov	180.75	181.40	181.00	180.25
Mar	173.50	173.50	0	0
May	174.00	173.00	0	0
Jul	174.00	173.00	0	0

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	371.3	374.0	372.0	367.7
Jul	372.8	0	0	0
Aug	376.3	378.9	376.8	372.5
Oct	381.4	384.1	381.4	379.5
Dec	384.8	389.0	385.5	382.0
Feb	390.2	394.1	391.0	389.5
Apr	395.0	399.5	395.0	395.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	492.0	491.7	498.5	488.0
Jun	494.9	495.9	0	0
Jul	501.5	500.0	502.0	497.0
Sep	510.0	508.7	510.0	505.0
Dec	523.0	520.7	523.0	517.0
Mar	531.5	532.5	532.5	530.0
Jul	548.3	549.3	548.0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	116.90	119.60	117.50	114.90
Jun	112.90	114.60	111.50	111.00
Jul	108.90	111.60	109.50	107.20
Aug	107.30	109.75	0	0
Sep	105.75	107.90	106.30	104.35
Oct	104.80	105.70	0	0
Nov	103.70	105.50	0	0
Dec	102.70	104.40	102.30	101.50
Jan	101.70	103.20	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Apr 30	Apr 27	mnth ago	yr ago
1925.9	1928.7	1923.8	-

DOW JONES (Base: Dec. 31 1974 = 100)

	Apr 27	Apr 26	mnth ago	yr ago
Spot	136.49	136.28	131.90	136.52
Futures	133.36	134.11	132.44	136.76

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	633/0	635/0	638/4	626/4
Jul	649/0	651/0	653/0	644/4
Aug	653/4	656/2	657/6	650/4
Sep	655/4	657/6	659/0	651/4
Nov	659/4	661/4	663/6	656/4
Jan	671/0	672/2	673/4	668/4
Mar	680/0	681/4	683/4	677/0
May	689/0	692/0	690/0	685/0
Jul	690/0	694/0	691/0	688/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	23.47	23.72	23.65	23.30
Jul	23.64	23.92	23.82	23.50
Aug	23.60	23.85	23.72	23.44
Sep	23.47	23.61	23.58	23.30
Oct	23.20	23.42	23.30	23.10
Dec	23.07	23.26	23.16	22.94
Jan	22.97	23.00	22.97	22.85
Mar	22.91	22.85	0	0
May	22.75	22.75	22.75	22.65
Jul	22.80	22.40	22.82	22.70

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	184.2	184.4	185.7	182.5
Jul	189.0	189.2	191.0	187.2
Aug	190.8	191.2	192.5	189.5
Sep	193.0	193.0	194.5	191.5
Oct	194.5	194.2	195.5	192.5
Dec	198.0	198.2	199.0	196.2
Jan	199.5	200.0	199.5	198.0
Mar	202.5	204.0	203.0	201.0
May	203.0	204.0	203.0	200.0
Jul	203.0	205.0	204.0	203.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	281/0	280/0	281/4	278/6
Jul	282/6	282/6	283/4	280/6
Sep	276/6	276/6	276/6	275/0
Dec	271/0	272/2	272/2	270/4
Mar	276/6	278/2	277/6	276/2
May	279/0	280/6	280/4	279/0
Jul	281/2	283/0	282/2	281/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	374/4	370/4	374/4	369/0
Jul	346/0	341/0	346/4	340/0
Sep	352/0	347/6	352/0	346/4
Dec	365/0	359/6	365/0	359/0
Mar	370/4	368/0	370/4	365/0
Mar	370/0	370/0	370/4	369/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	72.97	73.15	73.40	72.95
Aug	71.65	71.77	71.92	71.55
Oct	74.05	74.12	74.32	74.00
Dec	74.82	74.87	74.90	74.72
Feb	74.97	74.95	75.12	74.90
Apr	75.65	76.45	75.75	75.40

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	63.12	63.00	63.27	62.65
Jul	62.12	61.70	62.17	61.37
Aug	59.87	59.50	59.90	59.15
Oct	52.97	53.10	53.20	52.60
Dec	52.05	52.05	52.15	51.75
Feb	50.90	50.90	50.90	50.60
Apr	48.02	48.10	48.20	47.92
Jun	51.00	51.00	51.15	50.80

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	65.65	64.65	65.65	64.00
Jul	66.85	65.02	66.90	64.55
Aug	64.75	63.25	64.85	62.70

FINANCIAL TIMES SURVEY

Rising interest rates have created a happy hunting ground for factors in the UK and abroad. However, there are signs that clients are marking time instead of expanding. In addition, the increase in bad debts is highlighting the need for caution, says **Charles Batchelor**

FACTORING

Illustration by Robin MacFarlan

In the front line of risk

FACTORING is one of those rare financial services which, in theory at least, should be almost recession-proof. As interest rates rise and company cash flows come under pressure businesses should be in even greater need of the advances which the factors provide against invoices.

Industry statistics compiled by the Association of British Factors and Discounters show that up to the end of 1989 this argument held up. The combined turnover of companies serviced by the association's 11 members rose 24 per cent last year to £11.6bn, continuing the rapid growth rates of much of the 1980s. The number of companies making use of factoring and invoice discounting rose by 15 per cent to 7,507.

Factoring has also expanded on a worldwide basis, rising by 18 per cent to $190bn in 1989, according to Factors Chain International, which links factors in 35 countries.

However, the optimistic note set by these statistics is unlikely to be maintained in the UK in 1990 amid growing signs that high interest rates are forcing many companies to postpone expansion plans. If companies are marking time instead of expanding they have less need of the cash injection provided by the factor.

Mr Allan Walker, associate director of H&H Factors, says: "1990 will be a tough year for us and for the industry. We are in the front line when it comes to risk because most of our clients are young companies which are highly geared. We are taking a lot more care with our portfolio of clients."

The need for care has already been demonstrated in the ABFD's figures for 1989. They revealed a 44 per cent increase, to £5m, in the value of bad debts absorbed by members and a 41 per cent rise in UK debtors where legal action was in progress.

RoyScot Factors began to notice the downturn in the autumn of 1989 and while business has picked up again in the first quarter of this year Mr John Butterworth, managing director, expects a difficult period in 1990. "High interest rates force companies to destock and to sell property and subsidiaries so their need for working capital declines."

In the slightly longer term, though, Mr Butterworth remains optimistic of an upturn. "After about a year the impact of high interest rates feeds through into balance sheets. When bank managers get to see these balance sheets they tend to raise their eyebrows and suggest their customers might need factoring. My experience of two previous recessions has shown that that is a happy hunting ground for factors." Factoring may prove to be resistant to the downturn but it has had a long battle to establish itself in Britain as a respectable form of finance. When the technique was imported into Britain in the 1960s from the US – where it was, and still is, confined largely to the textile trade – it won an unfortunate image. In the early days too many unsound businesses were backed and the industry received a name for being a "lender of last resort".

Present-day factors reject this label and point out that factoring is a perfectly respectable method of financing a company's growth by making use of an asset which the banks tend to overlook – the unpaid invoices a company has issued to its customers. By closely monitoring his client's sales ledger the factor can advance funds against an asset other lenders consider too risky.

Full-service factoring not only involves the provision of funds – up to 85 per cent immediately and the rest when the bill is paid – the factor can also take over his client's sales ledger, send out invoices and make sure the bills are paid, assess credit risks and insure his client against bad debts.

The client is saved the expense and trouble of maintaining his own sales accounts department; of waiting for his customers to settle their bills; and of chasing up late payers. He avoids the bind of winning new orders which his bank manager refuses to finance.

The negative image of factoring has dimmed over the years as the banks have moved into factoring – most of the members of the ABFD are owned by UK clearing banks – and as the industry has grown. Even so, many old school bank managers and accountants still retain their suspicions.

Much of the growth of recent years has come from invoice discounting – which is the relatively straightforward service of proving cash against invoices – and not from full-service factoring. The volume of sales handled under full factoring agreements rose 16 per cent last year to £4.8bn while invoice discounting increased by 32 per cent to £5.6bn.

Invoice discounting tends to be less profitable than full factoring because it provides less of a service but it is an easier business in which to get started. Invoice discount clients retain control of their sales ledger so, unlike the factor, the discounter does not have to set up the systems and employ staff to administer thousands of client accounts.

RoyScot Factors, which was set up from scratch in September 1986 by Royal Bank of Scotland to offer both factoring and invoice discounting, has expanded its business rapidly over the past three years but it still does not expect to move into profit until this year. A pure invoice discounter could expect to move into the black more quickly.

It is partly for this reason that many of the recent arrivals on the factoring/invoice discounting scene – Schroders Discount and Union Discount Invoice Financing (UDIF) among them – have specialised in invoice discounting.

The growing importance of invoice discounting was recognised last January in the change in the name of what was previously known as the Association of British Factors to the Association of British Factors and Discounters. The association had come under pressure from some of its members to make this change. One reason for this decision was a concern that unless a change was made the receivables financing industry would fragment. (A second organisation, the Association of Invoice Factors, already represents 10 much smaller factoring companies.)

The arrival of new specialised invoice discounters has been met with a less than enthusiastic welcome from the established factors. They have seen pressure on their margins as the newcomers fight to establish themselves in the market. They also face the prospect of losing their old-established clients to the invoice discounters once the client has reached a reasonable size. The traditional pattern is for small companies to drop full factoring once they are of sufficient size to handle their own sales ledger. Many would then transfer to the same factor's invoice discounting service.

One concern of the established factors is that the newcomers will run a greater risk of being hit by financial problems or even fraud among their clients. Since the invoice discounter does not handle his client's ledger he is less well placed than a factor to keep a close eye on how the business is being run, the factors argue.

This may be so but even conventional factoring has its problems. One small factor, Clifton Mercantile, was recently pushed into receivership after the discovery that a client had been writing bogus invoices against which it claimed cash. Most of Clifton's clients have now been taken on by Chancery Factors. "We had to move very fast because obviously the cash flow of the other clients was heavily affected," says Mr Martin Forman, Chancery managing director.

Such setbacks apart, the factoring industry has been trying hard to broaden the range of its services. The impetus comes in part from the factors themselves who are seeking to add value to their basic service and partly from their banking parents keen to obtain the advantages of "cross-selling" a range of bank services.

Recent innovations include:

- The launch, earlier this month of a "cash flow consultancy" service by Century Factors. This will involve a review of how clients handle their debtors to improve credit control, minimise bad debts and increase cash flow.
- The use by Union Discount Invoice Financing of its invoice discount service to help clients make acquisitions. UDIF discounts the target company's invoices for the acquirer and can meet between 40 and 90 per cent of the purchase price.
- A move by companies such as Berisford Factors and H&H Factors to offer other trade finance services such as confirming bills and providing stock finance. Venture Factors offers development capital alongside factoring while Hill Samuel Commercial Finance provides an invoice discounting and secured lending package.

Whether these attempts to "customise" what some factors concede is a commodity product are successful remains to be seen. Many factors are reduced to talking about "quality" when asked to describe their competitive advantage. Selling this idea to the customer will be one of the challenges of the next few years.

New players have joined the scene, says Charles Batchelor

Fiercer competition ahead

NEW players have been crowding on to the factoring scene over the past 12 months attracted by the rapid growth of the sector during the second half of the 1980s. Following several years during which the large UK clearing bank-owned factors have been consolidating their position in the market, the new arrivals have a more cosmopolitan banking background.

Most recent of the new arrivals is Schroders Discount, the Oxford-based invoice discounting arm of the Schroders merchant banking group, which opened for business last November. The other new entrants include:

- Allied Commercial Finance, the invoice discounting subsidiary of Allied Irish Bank. Allied began trading last June with the aim of supplementing the bank's conventional corporate lending and targeting companies in the £1m to £100m-turnover range as well as helping finance management buy-outs.
- De Lage Landen Financial Services, a subsidiary of Rabobank Nederland, the Dutch co-operative bank. De Lage Landen set up at the end of last year to offer domestic and export factoring and invoice discounting. It plans these services alongside its established leasing business.
- Venture Factors, which is owned by the United Bank of Kuwait. Venture Factors was established in March 1989 and offers factoring and invoice discounting in conjunction with development capital funding and import confirming.
- Hill Samuel Commercial Finance, part of the TSB Group. This company is not a new arrival to factoring but represents a relaunch of the TSB's UDT Commercial Finance operation.

The new arrivals have a bias towards invoice discounting at the expense of full service factoring and follow the trend of providing factoring and/or discounting as just part of a package of financial services. It is partly for this reason that the new companies rarely include the term "factoring" in their titles, opting instead for broader labels such as "commercial finance" and "financial services". Such titles not only reflect the wider ambitions of the newly-established groups; they avoid the stigma which still attaches to the name of factoring in the eyes of some potential customers.

The new arrivals have increased the fierce competition among the established players but the market continues to be dominated by clearing bank-owned factoring houses. Lloyds, the smallest of the traditional "big four" clearers, has the largest presence in this sector through Alex Lawrie Factors and International Factors.

National Westminster Bank owns Lombard NatWest Commercial Services while Midland has Griffin Factors. Barclays, which withdrew from factoring in the mid-1980s returned in 1987 with the acquisition of a 75 per cent stake in Arbuthnot Factors, now renamed Barclays Commercial Services.

The banks are the natural parents of the factoring companies because they are among the few organisations in a position to provide the large of amounts of finance which the factors need to support their clients. Some bank managers retain a suspicion of factoring in spite of all the urgings of head office. They are reluctant to recommend it to customers because by so doing they will reduce the size of their loan book and ultimately the manager's year-end bonus.

Some banks have introduced schemes to overcome their managers's reluctance to dilute their loan book with factoring. Royal Bank of Scotland last month launched its Cash Flow Scheme to allow its managers to offer a full factoring service while maintaining the secured lending arrangement.

The arrival of the new players in the factoring market is forcing the established bank-owned factors to respond and become more flexible. But will this be enough to see off the challenge? The clearing bank-owned factors have less freedom of action and may, for example, be reluctant to provide cash against invoices at an interest rate which undercuts the parent bank's loan rate, their critics claim.

Some experienced factors believe the market will polarise into two distinct segments – the clearing bank-owned companies who use their size and resources to provide a keenly priced service and the smaller factors which develop niche markets. Developing niches may not prove that easy, however. "Differentiation is a problem when what you have is basically a commodity product," says Allan Walker, associate director of H & H Factors, which is jointly owned by Trade Indemnity, the credit insurance group, and Heller (Overseas), the financial services company.

H & H, which will be renamed Trade Indemnity-Heller in June, is building up its northern office in Stockport to be closer to its regional clients. It is also considering expanding the credit insurance element of its factoring service with the help of Trade Indemnity and of broadening its financial package to take in areas such as stock finance, letters of credit and the avallisation (endorsement) of bills.

Some factors see their future in concentrating on the larger company. Security Pacific Business Finance has been rethinking its involvement in this market, says Mr Stephen Welton, chairman. "We recognise we can't compete with the clearers head on so we are trying to target larger clients."

The most recent arrivals on the UK factoring scene have started up at a time of economic downturn and a toughening of the competitive climate so it remains to be seen whether they can establish a position in the market. "The UK clearers are quite good at defending their patch," notes Mr John Butterworth, managing director of Royscot Factors, part of the Royal Bank of Scotland group. "The survival of the newcomers will depend on their product development and marketing skills."

Members of the Association of British Factors and Discounters

Alex Lawrie Factors. Beaumont House, Beaumont Road, Banbury, Oxon. *Shareholder: Lloyds Bank 100 per cent.*

Barclays Commercial Services. Aquila House, Breeds Place, Hastings, East Sussex. *Shareholders: Barclays Bank 75 per cent, Yorkshire Bank 25 per cent.*

Century Factors. Southbrook House, 25 Bartholomew Street, Newbury, Berks. *Shareholder: Close Brothers 95 per cent, Management 5 per cent.*

Griffin Factors. 21 Farncombe Road, Worthing, West Sussex. *Shareholder: Midland Bank 100 per cent.*

H&H Factors. 46-48 Wellesley Road, Croydon. *Shareholders: Trade Indemnity 50 per cent, Heller Europe 50 per cent.*

International Factors. PO Box 240, Sovereign House, Church Street, Brighton, Sussex. *Shareholder: Lloyds Bank 100 per cent.*

Lombard NatWest Commercial Services. Smith House, PO Box 50, Elmwood Avenue, Feltham, Middx. *Shareholder: National Westminster Bank 100 per cent.*

RoyScot Factors. Exchange Court, 3 Bedford Park, Croydon, Surrey. *Shareholder: The Royal Bank of Scotland 100 per cent.*

Security Pacific Business Finance (Europe). 125 Dyke Road, Brighton, Sussex. *Shareholder: Security Pacific EuroFinance 100 per cent.*

Hill Samuel Commercial Services. Boston House, The Little Green, Richmond, Surrey. *Shareholder: TSB Group 100 per cent.*

Kellock Factors. Abbey gardens, 4 Abbey Street, Reading, Berks. *Shareholder:* Bank of Scotland 95 per cent, Management 5 per cent.

Members of the Association of Invoice Factors

Anpal Finance, P O Box 37, Kimberley House, Vaughan Way, Leicester.
Bibby Financial Services, Norwich House, Water Street, Liverpool.
Gaelic Invoice Factors, 17 Mount Ephraim, Tunbridge Wells, Kent.
Hogg-Poynton Factors, Parkhouse Industrial Estate East, Newcastle-under-Lyme, Staffs.
Kintyre Securities, The Computer Centre, Bennahor Campbeltown, Argyll.
London Wall Factors, Barkhill House, Shire Lane, Chorleywood, Herts.
Maddox Factoring (UK), Argent House, 15 Progress Business Centre, Whittle Parkway, Slough, Berks.
Metropolitan Factors, 4 Heath Square, Boltro Road, Haywards Heath, West Sussex.
Ulster Factors, 7 North Street, Belfast.

Paul Melly on the services offered by factors

The need for cash flow

A NEED for cash is often the main reason for a company to turn to a factor but sales ledger management and credit protection are equally important parts of the service offered. They can save time and costs and minimise exposure to bad debts.

Factors offer three main services, often combined in a single package: management of the client's sales ledgers and collection of payments against invoices, credit management and vetting of the client's new customers, and funding up front against invoices, or invoice discounting.

Inevitably, at a time of high interest rates and fear of bankruptcy, when banks are more cautious about lending to business, many firms look for new sources of cash. Their own customers may be delaying payments until the last minute.

What that executive often fails to realise is how important efficient credit and sales ledger management is in avoiding those cash-flow pressures.

Many people who set up a business do not pay sufficient attention to invoicing and collecting payment, says Mr Ian Fitz-Harris, commercial director of the Kellock factoring company. While production and sales strategy are priority areas, too many firms skimp on credit control and ledger administration.

He finds many would-be clients who approach his firm because they face cash-flow pressures do not like to admit their administrative systems are under strain.

This is less true in export business, where people expect to encounter problems in chasing up payments from abroad: perhaps half those who ask Kellock about factoring their export business mainly want services other than finance. They want someone else to take on the hassle of chasing up payments from abroad, build in foreign exchange protection and provide credit protection against bad payers overseas.

But when it comes to domestic UK business, many small firms seem unaware of the savings they could make by leaving this side of the business to a factoring company.

In fact, after sending out your invoice to the customer you can forward a copy to the factor who will take care of everything else and advance you cash equivalent to 85 per cent of the order value. If it exploits the factor's services to the full a small company can spare itself the cost of normal sales ledger staff.

Companies may want to keep track of their sales ledger, even after they have handed it over to a factor. They can usually do this by joining the factor's on-line computer system. Most leading houses these days offer a direct link from the client's personal computer into their own databank. This allows him to monitor invoices, payments and the amount of funding available under his finance facility at any one time.

It will be interesting to see whether the gradual computerisation of banking services and the spread of home banking to the small business arena cuts begins to undercut the attraction of factoring's traditional service strengths.

If modern office technology makes it easier for companies to run their own sales ledgers and to plug into outside credit checking services, the factors may have to rely more than ever on the provision of bad-debt protection and, most of all, finance up front as their main selling points.

INVOICE DISCOUNTING

Confidentiality the attraction

INVOICE discounters are still riding a wave of explosive growth in demand for their services as industry tries to compensate for the new caution of nervous banks.

While demand for all-round full factoring services climbs steadily, there has been a spectacular surge in straightforward discounting of invoices from large firms which want to strengthen their cash flow without damaging relations with their clients. High interest rates have put pressure on everyone, particularly companies selling to a wide range of small buyers who delay payment for as long as possible.

The simple provision of finance against outstanding invoices is particularly attractive for companies with the resources to maintain proper credit controls of their own. Generally, these are bigger groups than those which use factors. They do not need all the more expensive service extras factoring offers and they prefer to maintain their own contacts with customers.

Unlike a factor, a discounter does not require clients to disclose its interest on the invoices unless it is for an export shipment. Factoring has still not entirely shaken off the stigma, however undeserved, of last-resort finance for the company in crisis. This makes some leading industrial names wary of using it and the discounters have been able to make the confidentiality of their service a selling point.

"Invoice discounting is a good option for a company in terms of cost and in terms of running your own sales ledger," says Mr Roger Taylor, joint managing director of Union Discount Invoice Financing. He deals only with firms whose turnover is around £1m a year, or more.

Big factoring groups will often take on clients who can offer only £200,000-£250,000 of business each year. There are factoring houses which specialise in assisting much smaller businesses.

What generally decides the minimum size of potential clients is cost: Kellock, for example, needs to earn about £5,000 a year in fee commission to justify taking on a client and providing the relevant services, back-up and management time. Firms too small to generate this sort of revenue are not worth looking at, unless sure of rapid growth.

Invoice discounters operate on a particularly tight margin, which is why they often focus on the big clients who can generate a compensating volume of business. Mr Taylor expects his UD Invoice Financing subsidiary to handle £300m-£500m in sales turnover this year. But his firm's income from that will not even reach £10m.

Some factoring competitors suggest there may be dangers in relying on invoice discounting. Kellock commercial director Mr Ian Fitz-Harris says discounters will find it harder to chase up payments owing to clients who go bankrupt, because they lack the up-to-date control of the ledger enjoyed by a factoring house.

Naturally, Mr Taylor takes a different point of view, although UD Invoice Financing has only 22 staff members to run its business and supervise clients. He says his firm rigorously checks a firm's credit and ledger management before taking it on as a client. And his team regularly visits all clients to make sure they are keeping up standards. "We may even terminate a client if we don't feel that they are administering what is strictly our property in the right way."

Complex technical goods pose difficulties for discounters as well as for factors because payment is subject to so many conditions: there is usually a period of after-sales service built into the contract, and often spare parts, too. And the buyer may well hold performance bonds or other rights which make payment against the sales contract subject to strict conditions. Says Roger Taylor: "We would not do capital equipment in any form whatsoever."

Paul Melly

ASSESSING CLIENTS

Credit where credit is due

AT 9.30am on most mornings a small team of senior executives meets in the offices of International Factors in Brighton, East Sussex, to consider applications for one of the company's factoring services.

On a Wednesday earlier this month Mr Brian Abbott, factoring director at International, and four managers from the operations, business development (sales) and accounting departments, sat down to consider three new business proposals and two applications from existing clients for an increase in their credit limits.

Elsewhere in International's offices the company's 70-strong team of credit controllers, mostly women, were on the phone to the customers of clients to make sure they had paid their bills on time. The computerised system triggers phone calls, letters and solicitors' letters to the 61,000 customers of International's clients depending on the extent of any delay in payment.

The purpose of the credit committee meeting under Mr Abbott is to decide whether the companies are attractive propositions and to set the terms on which the deals might be done. International, owned by Lloyds Bank, is Britain's largest factoring organisation but similar routines are followed at most other UK factors. International has 400 employees and provided factoring services to 1,381 companies with combined turnover of £2.3bn in 1989.

The first company to be considered is a distributor of computers and computer software. Computer distribution is riskier than some businesses because of the large number of computer retailers which have sprung up – and failed – in recent years but the company in question appears to be well run.

The business is just three months old and has notched up sales of only £280,000 but it is a subsidiary of a larger group which has agreed to provide guarantees. The average value of the company's invoices is £2,000. This is a plus point since it means International would not be handling large numbers of very low value invoices which would be costly and time-consuming.

International's sales team have looked at the company's accounts and cash books to see that PAYE and VAT payments are up to date. In the event of problems they do not want the Inland Revenue or Customs and Excise to step in as preferential creditors.

They have taken a close look at the company's dealings with its bank, which is not Lloyds. They look at the state of its bank balance and check what charges the bank has on the company's assets. When a factor becomes involved with a company its bankers will usually want to reduce the size of the overdraft because the sales ledger no longer forms part of its security.

None of these issues appears to be a problem with the computer company but Mr Abbott is concerned about its customer list. As a new company it has only dealt with a handful of customers. Half of them are judged a good credit risk but the remainder are not known to International's credit department so will need further checking. A second difficulty is the company's sales forecast of £3m, which appears over-optimistic. If International bases its offer on these figures and the sales target is not reached then the factor will not make a profit and may not even cover its costs. A further complication is that the International team believe that another factor is also bidding for the business.

They decide that the company is an attractive proposition but that they need to build in safeguards in case the sales forecast is not met. They propose charging a fee of 1.05 per cent for handling the company's sales ledger but say they will review this figure after six months to make sure sales are increasing according to plan.

They will also offer to provide 80 per cent of the value of the company's invoices – 85 per cent is the top rate to established or very sound companies – at a rate 2.5 per cent above Lloyds Bank's base rate. This is also a figure which takes into account the likelihood of another factor bidding for the business.

This offer has four conditions: that the computer company's parent group provides the promised guarantee; that no single customer accounts for more than 35 per cent of the company's sales; that intra-company sales and contra accounts (dealings with customers who are suppliers) are excluded; and the parent group provides consolidated quarterly management accounts.

The second company for consideration is a slightly less attractive proposition. It has achieved turnover of nearly £300,000 in its first year of trading, supplying equipment for the construction industry, and is forecasting a rise in its second year to nearly £1m.

The company has a reasonable spread of customers and has been recommended by an existing factoring client of International's, which is in its favour. But the management does not appear to be particularly sophisticated in financial terms and once again the sales forecast appears too optimistic. Mr Abbott and his team decide to offer the factoring service at 2.5 per cent and to charge 3 per cent for the cash advances.

The two companies which have applied for an increase in their credit limits are both clients of International's invoice discounting service – they only want cash against invoices and not a full factoring service. Both their applications are approved.

Charles Batchelor

Peter Montagnon assesses the growth in export factoring

A means of financing world trade

FACTORING is rapidly establishing itself as a recognised technique for financing international trade. Worldwide turnover in export factoring topped $10bn last year for the first time, reaching a record $10.83bn, according to Factors Chain International, the industry's leading umbrella organisation.

Though this is still only a fraction of the industry's total turnover of $190bn, growth in international factoring has been rapid in recent years with turnover in this segment of the market more than doubling since 1985.

While part of the increase is due to the efforts by factoring houses to expand their services into new markets, it also reflects the fast growth of world trade and a growing desire among small and medium exporters to protect themselves better against non-payment by customers in far-flung places.

A particular growth area is Asia, whose trade frequently involves the export of textile and consumer electronic goods manufactured by small companies which have no on-the-spot representation in Europe. Normally their buyers prefer to trade on an open-account basis, but this is risky for the Asian manufacturer since he has no means of being sure that he will be paid.

According to Mr John Beaney, the executive responsible for international business at Midland Bank's Griffin factors unit, factoring offers such companies a way of trading that differs little from open account in practice but protects exporters from non-payment and is cheaper than letters of credit.

Growth in international business affecting Asia was rapid last year with a growing number of banks opening up for factoring in South Korea and Taiwan. Indonesia recently permitted banks to provide a factoring service and this should produce further growth.

By contrast, one part of the world where factoring has not yet taken off is in eastern Europe. Forfaiting, which involves the discounting in a secondary market of longer term fixed rate trade debts, has always been a popular way of financing East-West Trade, but factoring, which involves no secondary market and deals only in short-term credits of up to six months, is less popular.

Though factoring services are available in Hungary and Czechoslovakia, other East bloc countries have been slow to develop them.

Generally speaking factoring services are also not available in countries suffering serious payments problems. This means that Latin America and Africa also tend to be excluded.

There is still, however, ample room for growth in the leading industrial markets of Western Europe where the development of the single market is expected to entice smaller firms into export markets with which they are unfamiliar. The advantage to them of factoring services is they can collect on their invoices without the hassle of dealing with an unfamiliar customer in a foreign country.

The sheer convenience of this justifies the cost of factoring services, according to many in the industry. Factoring provides both debt collection and credit risk cover. Moreover, the cover extends to the full value of the sale, whereas an export credit agency guarantee policy may cover only some 85 per cent of the sale and the exporter also always has to wait while a claim is settled.

In addition, it provides cash flow without tying up capital and drawing on bank overdraft lines. According to Mr Beaney, typical fees charged by factoring concerns range from 1 to 2.5 per cent with credit interest calculated on top. Though these rates are steep compared with other forms of trade finance, none offer quite such a comprehensive service.

However, the growing interest in factoring means that the market is becoming more competitive, just at a time when the credit insurance industry is gearing up to take the European market by storm after 1992. The expectation among analysts of this market is that there could for a while be a period of severe overcapacity. This would result in lower credit insurance premiums and could make factoring relatively less competitive.

There are even signs that export credit agencies themselves are looking more closely at factoring as they seek to diversify their product range. Hermes, the West German export credit agency, has set up a joint venture in factoring with Dresdner Bank. NCM, the Dutch credit insurance agency, is also forging closer links with the factoring market. Trade Indemnity, the UK's leading private sector insurer has acquired a 50 per cent stake in H&H Factors.

International Factors, which claims to be the UK's market leader in factoring with turnover of £2.2bn last year, has recently launched a scheme combining a collection service with cover from the government's Export Credits Guarantee Department. This uses an exporter's own policy with ECGD, the existence of which allows International Factors to lower the rates it charges.

According to Mr David Richardson of International Factors, this service contrasts with that of other ECGD-linked factoring schemes in that these often involve using a factoring house's own policy to which standard rates may be applied. Good quality customers might thus risk subsidising lower quality ones, because they all pay the same premium.

Worldwide factoring volume ($m)

	1988	1989	% Increase
World domestic factoring	151,522	179,198	18
World international factoring	8,884	10,826	22
World total	160,406	190,024	18

Source: Factors Chain International

Factoring volume by country, 1989 (£m)

Country	Domestic	International	Total
Italy	50,150	1,030	51,180
US	46,217	530	46,747
UK	19,800	980	20,780
Japan	12,090	297	12,387
France	10,037	741	10,778
W Germany	5,671	2,147	7,818
Netherlands	4,450	2,450	6,900
Finland	4,920	253	5,173
Mexico	4,000	6	4,006
Sweden	3,500	210	3,710

Source: Factors Chain International

CASE STUDY: PRINTFORM PLASTICS

Formula for added success

THREE years ago, Ken and Val Hardacre had a problem – their business was a success. Orders for the high impact polystyrene they manufactured in their factory in Blackburn, Lancs, were coming in faster than they could pay for the raw materials. Cash flow was stretched and the banks did not want to listen.

"We were a small family company caught in the trap of most small companies financed by personal capital. The bank, if it does loan money, stitches you up for the house, the wife, the dog, the cat and everything else," says Mr Hardacre.

The couple began their business in 1983 as stockists of the polystyrene, after Mr Hardacre, a representative for a plastics manufacturer, was made redundant. Within 15 months Printform Plastics moved out of the house and into its own warehouse. Two years later the company moved into manufacturing. But although orders were no problem, filling them was.

"We could only afford to run the machine for 15-16 hours a day because of cash flow," says Mr Hardacre, "while all our competition runs 24 hours a day.

"There wasn't a great deal of funding available to us, as we are a small company." The Hardacres considered venture capital, but were determined to retain control of their business. "We did all the hard work, why give someone else a lump of the profits?" says Mr Hardacre.

There were only two options left, according to Mr Hardacre. "Either we carried on as before and let the business grow slowly or we would have to look for an alternative method of financing." That was when factoring became part of the equation.

"I did some projections while we were considering factoring and concluded that the growth we could achieve in five years through normal methods of finance, we could establish in two years with factoring," says Mr Hardacre.

After some searching, the Hardacres turned to RoyScot Factors, part of the Royal Bank of Scotland group. They signed a deal for what RoyScot calls agency factoring and credit cover. Under this arrangement, Printform sells the invoices to RoyScot for up to 80 per cent of face value and within days the money is in their bank. The Hardacres are also insured against any bad debts, provided the customers have been approved by RoyScot.


Ken and Val Hardacre

The couple was not put off by the fact that this was a disclosed service – RoyScot's name appearing on the invoices. "We still collect the money from our clients," says Mr Hardacre. "We had been trading five years, and had a good relationship with them." Printform was unwilling to risk that relationship and RoyScot, after examining the company's control systems, had no objections.

Asked about the somewhat doubtful image companies reflected in the past after calling in factors, Mr Hardacre says: "It wasn't a rescue package. We never looked at it that way. We saw it purely as a vehicle to expand the business."

It all sounds like a marriage made in heaven; and neither side has any complaints. "My original projections have proved me right," said Mr Hardacre. "Turnover before factoring was about £450,000 per annum and since then it has gone up to almost £750,000."

The recent purchase of a second extruder machine means that Printform will soon be able to double output, and should not have to worry about cash flow as long as the orders keep coming in. "We could easily do up to £1¼m this year with the new machine."

John Butterworth, managing director of RoyScot Factors, sees Printform as the ideal success story. Yet he does not claim factoring is the answer for every struggling company. Printform's qualifications lay in the Hardacres and their management methods.

"One of the arts of factoring is to pick the right account. We were comfortable about the people we were financing and didn't have to change a thing," he says. "A factoring company looks for an energetic management team, a good knowledge of the product and customers, and a reasonable degree of financial acumen."

But the idyllic relationship cannot last forever, he adds. "The most successful clients are those who will leave us." But Ken and Val Hardacre are not looking quite that far ahead at the moment. The benefits still far outweigh any disadvantages, which they say are virtually nil. "In seven years of running a business it is one of the best decisions I have ever made," says Mr Hardacre.

Peggy Hollinger

CASE STUDY: AVALON STUART

Rescued from the brink

WHEN Ian Stuart bought Avalon Stuart, of Lingfield, Surrey, his father's typewriter ribbon manufacturing and distribution company, in 1986, little did he know that within a few months the venture would turn sour.

Initially, prospects looked bright. In the first year alone he increased the orders by 35 per cent. But while he was out getting new business, overheads sky-rocketed, accounts were neglected, and the management he had hired to help revamp the company failed to keep him informed.

That was when Mr Stuart had to take a more active role in managing the company, as well as getting the orders and chasing the debtors. He cut back on staff and production costs, but outstanding invoices were still a problem. To make matters worse, the VAT man demanded £35,000.

"We had problems getting our hands on £500," says Mr Stuart. "I told him I didn't have it, but he said I had 10 days to raise the money."

Mr Stuart was staring bankruptcy in the face. With an average debt collection time of 80 days, there seemed little hope that £35,000 could be raised in 10. But by knocking on doors and pleading with bigger customers, Mr Stuart managed what had seemed impossible – money collected on outstanding debts totalled £36,000. "It rescued me," he says, "but at the same time, it crucified my sales ledger.

"I was looking at a brick wall," Mr Stuart ruefully admits. His bank was "fed up with the situation" and the new bank he had turned to "couldn't go the whole hog". He looked into venture capital, and was prepared to relinquish some control to save the company.

But no one was interested in a company certain to fail. "If you can last four to five months they'll talk to you." It was not good enough.

Even factoring did not seem to offer Mr Stuart any great hope. Although the first factoring company he approached had recommended sales ledger management and invoice discounting, he needed more than the standard 75-80 per cent offered on outstanding debts. So, when a new company called Venture Factors offered to take Avalon Stuart on at 100 per cent of the invoices, Mr Stuart could hardly believe his luck.

"It took a lot of guts to back a business on the rocky side," says Mr Stuart.

Together with Lloyds Bank a deal was worked out to provide Avalon Stuart with all the financing it needed to get back on its feet.

"Lloyds put the mortgage in and a small overdraft," says Tony Cox, managing director of Venture Factors, while his company financed 100 per cent of the debt and kept tabs on the sales ledger. Mr Stuart decided against credit cover because, he says, his invoices were too small.

Venture Factors recommended some changes to the way Avalon Stuart was run – including marketing, pricing and sourcing of products. The company also owned a small ribbon factory in Scotland, which the factoring group saw as a drain on resources. "We asked Ian to concentrate on what he knew best – distribution," says Mr Cox. "So we told him to sell the Scottish factory."

The factory was sold, but with a clause stating that Avalon Stuart had exclusive rights to distribute the goods, thus keeping on its old customers and ensuring a friendly supplier.

Within 14 months turnover has gone from "£2m and a bit, operating at a loss," says Mr Cox, to "£1.25m but operating at a profit. The real problem was that the company was over-borrowed. It just needed time."

Mr Stuart is certain his company would have failed without Venture Factors. "They backed me 100 per cent. For a time they even went over 100 per cent to help me. They dug deep into their pockets to see me over the bump. Since then, I've never looked back."

The fee for Venture Factors services comes to 1 per cent of turnover – about £1,000 a month and a sum well spent, according to Mr Stuart.

Peggy Hollinger

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David Lane reviews the Italian sector

Another year of growth

ITALY'S factoring companies expect another year of strong growth. The 1990s are opening on the firm upward trend that characterised the sector during the 1980s. BNL Holding, the financial services subsidiary of Banca Nazionale del Lavoro whose factoring subsidiaries dominate the Italian market, forecasts an increase in factoring business in 1990 in line with last year's 30 per cent improvement.

BNL Holding notes, however, that these figures represent a slowdown. Growth in 1989 was lower than the average recorded during the second half of the 1980s, when volumes rose by nearly 40 per cent annually.

With growth rates of this magnitude, it is not surprising that the volume of business is large. BNL Holding's research department estimates the total turnover of the Italian factoring market reached L67,200bn (about $55bn) last year.

Measured on factoring companies' revenues (commission and interest), growth was even higher last year. BNL Holding's Ifitalia subsidiary, market leader in Italian factoring, recorded a leap in revenues of 70 per cent to L269bn, on turnover that was 34 per cent higher at L7,550bn. The average growth in revenues of 20 members of Assifact, the association of factoring companies, exceeded turnover growth by 33 per cent last year.

Why has factoring grown so strongly in Italy? Initially development was encouraged by the credit restrictions that characterised monetary policy at the end of the 1970s and beginning of the 1980s. Lending ceilings limited banks' possibilities of financing the business sector. Factoring offered a new instrument that complemented traditional bank credit and did not fall foul of the Bank of Italy's rules.

In spite of concern that the removal of credit restrictions would be accompanied by a decline in demand for factoring services, business has continued to expand rapidly. BNL Holding attributes this to two reasons: strong economic growth in the second half of the 1980s and wider awareness of factoring and its advantages.

There is growing recognition in small and medium-sized Italian firms, generally traditional family-owned concerns in which the "padrone" has invested a large stake of personal pride, that recourse to factoring is not a sign of weakness and incapacity. They increasingly see factoring as another financial instrument; one that allows them to raise liquidity and reduce their working capital needs.

In the case of large corporations, *factoring is used mainly* for organisational reasons, to cut the office workload by giving factors the task of checking on creditworthiness and collecting accounts receivable.

No sectors seem to have been missed in Italy's factoring boom, though wholesale distribution, agriculture, mechanical engineering and pharmaceuticals appear to have generated rather more business than others. BNL Holding attributes this to captive factoring companies established to manage credit within large groups and associations. Typical of Italy's captive factors are the Fiat subsidiary Sava Factoring and Serfactoring, the subsidiary of the ENI state hydrocarbons holding corporation.

BNL Holding reports that firms in mature sectors, tackling customers at the margins of their markets, are significant users of factoring; and so *also are firms in rapidly* expanding markets where limited experience creates problems in customer evaluation.

Italy's large cash-strapped public sector is considered to offer excellent opportunities for factoring growth. BNL Holding believes firms from many sectors will increasingly factor their accounts receivable with the many local governments, municipal milk companies, local health authorities, urban transport companies and the myriad of public sector bodies that buy in goods and services.

While the prospects for continuing expansion of factoring look promising at home, little is expected from international factoring. During the second half of the 1980's BNL Holding monitored a sample of factoring companies engaged in international business. Only 2 per cent of total turnover was generated by international factoring. This modest level is attributed to low profitability of operations abroad and the need for significant investment in information systems.

Italy's factoring companies will continue to concentrate on the domestic market. While this offers prospects of substantial growth in the medium term, competition promises to be sharper. BNL Holding expects that the smaller, weaker and marginal factoring companies will be weeded out.

The booming market has attracted a large number of *companies; 10 years ago the* number was counted in single figures, now there are more than 80. Margins are tighter and the search for volume and widening of customer base has brought greater risk. In addition to competing between themselves Italy's factoring companies also face the banks.

A low service content in factoring, with credit management and guarantee being much less important than the purely financial aspect of operations, prevents differentiation from commercial discounting by banks. BNL Holding notes that such competition has led to an alignment of factors' interest rates with those of banks.

Italy's leading company considers that the capacity to offer a wide range of products that are well differentiated from the competition will be the main determinant of success in the future. This means that companies will have to boost the credit management and insurance service component of their factoring products, a process that will require investment. Larger factoring companies seem better placed to make the changes needed to *satisfy the market.*

In this changing framework, Italy's captive factoring companies are likely to hold their ground and maintain their present market share of about 35 per cent of total turnover. In what BNL Holding describes as unique in world factoring, *most of Italy's principal industrial* and commercial groups have established captive factoring companies that serve group subsidiaries and suppliers.

During the 1980s, BNL Group was active in transferring financial know-how and set up many joint ventures with industrial and commercial partners, including Fiat, Montedison, Olivetti, Pirelli and Zanussi. Though the banking group has recently withdrawn from some of these, it still maintains minority stakes in others. It appears unlikely that many more captive factoring companies will be established, but the market is seen as receptive to new alliances between industrial and financial groups.

Italy's leading factoring companies, 1989			
Company	Parent	Revenues (Lbn)	Turnover (Lbn)
Ifitalia	BNL	270	7,548
Sudfactoring	BNL/CR Puglia	143	2,135
Mediofactoring	Cariplo	120	4,300
Prime Factor	MPS/Ifil/Fiat	84	1,787
CBI Factor	Ordinary credit banks	82	6,141
BN Factoring	Banco di Napoli	79	1,703
Centro Factoring	Savings banks	77	1,925
Comit Factoring	BCI	67	1,735
Factorit	*Popular co-op banks*	61	3,876
San Paolo Factoring	Sanpaolo Turin	50	1,476

Excludes captive factoring companies

Source: BNL Holding/Il Mondo

France now ranks third in Europe

More respectable image

FACTORING is becoming respectable in France. As elsewhere, it was long regarded as a last resort for companies spurned by banks or on the verge of bankruptcy. But the sector now seems to have earned credibility as a service, and recently has been growing at a brisk 20 per cent a year to a billing of about FFr60bn in 1989.

"It is expanding more quickly than short-term bank credit, which proves the industry is providing a real and needed service," commented Thierry Dehesdin, managing director of Soge-factoring, a subsidiary of Société Générale. "In the past, companies were interested only in the financing we offered, but now they come to us mainly for our management services, and not because the banks have refused them loans," he added.

However, strong growth is not enough to sustain profit margins. Factoring firms charge a fee of between 0.5 per cent and 2 per cent of turnover to administer a company's invoices. But rates are falling as more players enter the arena and competition becomes tougher. The same applies to the interest on advances against the invoices covered. "We used to charge the base rate plus 1 to 3 per cent, but now it is more often the money market rate, plus a margin," Mr Dehesdin said.

Most of the 15 biggest factoring firms in France are wholly-owned subsidiaries of large banks. Exceptions are the two market leaders, Factofrance Heller and Société Francaise de Factoring (SFF), which both have a diversified shareholder base and together account for almost 70 per cent of the market. Factofrance Heller is 50 per cent owned by the US Heller group, 34 per cent by the French banking and investment group, Cie Financiere de Suez, and 16 per cent by the bank, Credit Industriel et Commercial. SFF also has a US shareholder, Boston Overseas Financial Corp, in addition to four French institutions – Credit Commercial de France, the Banques Populaires group, the export-import bank BFCE, and the largest credit-insurance company, SFAC. Most of the largest firms are members of international chains.

Rates are falling as more players enter the arena and competition increases

The factoring sector, which in France is open only to financial institutions, is now attracting foreign institutions. Security Pacific of the US and FMN France SARL, a subsidiary of Holland's FMN Factoring NV, have both started operating within the last three years. The fact that 95 per cent of the business is conducted by finance houses – the remaining 5 per cent is handled directly by banks – will place the French in a strong position when the EC dismantles internal barriers on financial services, according to an official of the French Finance Company Association (ASF). Commercial concerns, which proliferate in Italy, would not be covered by the EC directive now in preparation.

The French market, which began in the 1960s, had to compete initially with a thriving bill discount sector. France now ranks third in Europe's factoring line-up, after Italy and the UK, but ahead of West Germany. "The average period between the date of the invoice and payment for smaller companies is about 90 days in France, and is the main reason for the 40,000 or so bankruptcies each year," commented Antoine Stoullig, market director of SFF. The periods are only slightly shorter than in Italy, where an estimated 100,000 companies fail annually. Mr Stoullig believes factoring is benefiting from the swing away from vertical integration, and is now considered more as subcontracting with a useful service to offer.

Most customers are small- and medium-sized companies, with a turnover from FFr5m FFr200m. But a recent trend is for larger companies to start contracting out some of their divisions or product ranges, particularly in the data processing field. For example, an agreement with IBM represents more than half the invoices administered by UFB Locabail, a subsidiary of the banking group, Compagnie Bancaire. An office-equipment wholesaler is one of the five biggest customers of Soge-factoring.

The spread to larger client firms indicates vast growth potential, according to Henry Palethorpe, sales and marketing director of Factofrance Heller. "We believe 60,000 to 70,000 companies could be customers for the factoring sector, whereas only 3,000 to 4,000 have signed up so far," he commented. Moreover, banks have cooled on the possibility of owning invoices that was conferred upon them by the seven-year-old Dailly law. "This means banks could increase corporate lendings, but, after they realised in mid-1987 it also *meant dealing* with non-payers, they have backed away."

Barbara Casassus

Karen Zagor looks at the US industry

Caution is the watchword

THESE are trying times for US factors. Uncertainty about the retailing climate coupled with a large number of big retailers with huge debt burdens, often acquired in costly leveraged-buy-outs, have made factors extremely cautious.

In the US, unlike Europe, factoring is firmly rooted in the clothing and textile industries. About 80 per cent of annual business is apparel-related, so that when some of the highly-leveraged department stores started coming unstuck, the factors felt the blow.

"Before all the leverage, credit was unquestioned and annual financial statements were adequate. Now we need to stay closer to the stores and *ask more questions,*" *said* Mr Gabe Romeo, senior vice-president at BancBoston Financial.

A recent spate of difficulties in the retail sector, including such big names in US department stores as Bloomingdale's, Bonwit Teller, B. Altman, has shown US factors that they have every reason to be nervous and careful.

Factors, whose three-prong services include checking credit, guaranteeing that credit, and providing advances against accounts receivable, have to live with the growing risks of the business.

"There is not much we can do in terms of safeguards," said Mr Romeo. "Credit guaranteeing is more art than science," he added. Furthermore, if private-label merchants cannot sell to their traditional big department store clients, they can be left with surplus goods.

It started last autumn when Campeau Corporation, the highly-leveraged Canadian property and retailing group, revealed its cash-flow problems. The factors told their clients they could no longer guarantee the credit of Campeau's Allied and Federated stores, which include such big names *as Bloomingdale's and Abra*ham & Strauss, and deliveries came to a virtual halt.

Industry-watchers quickly learned that when a factor says credit of a big department store cannot be guaranteed, the client usually listens. After Campeau received a $250m injection of funds and merchandise deliveries were resumed to the stores, Campeau Corp admitted factors had become increasingly important to the company's day-to-day operations. "The situation dictates working more closely with factors than we have in the past," a company spokeswoman said in September.

Although the Campeau stores, which were acquired in two leveraged buy-outs for a total of $10.2bn, ultimately filed for protection under chapter 11 of the Federal Bankruptcy code, the factors emerged relatively unscathed.

The damage from the Campeau bankruptcy was limited, in part, because the company paid for its merchandise until the last minute. "We still haven't figured out how many cheques have bounced," said Mr Sidney Rutberg, who is writing a book on the industry, "but there have not been any fatalities." Part of the reason for the factors' resilience is the vast size of most factoring firms. A $7bn factoring company, such as CIT Group/Factoring, can absorb a $1m loss which might fatally wound a smaller company.

The industry has undergone a decade of consolidation, leaving about 17 sizable firms from around 35 in the late 1970s.

However, the period of con*solidation now seems* to be coming to an end, mainly because there are so few medium-sized factors left. An exception is Rosenthal and Rosenthal whose annual turnover of about $1.12bn is big enough to allow it to remain independent.

While customers may feel that they no longer have the personal contact they had when factoring companies were smaller, the large size is a distinct advantage to the industry in times of uncertainty. The overall size has helped factors cover possible losses.

The rate of growth of factoring in the US has slowed somewhat in recent years, with total volume in 1989 of $46.7bn, up about 2 per cent from $45.9bn in 1988. Of this, the clothing industry accounted for about 80 per cent of the trade.

"This is not a growth business," said Mr Rutberg. "Factors tend to play musical clients, winning a few and losing a few others each year, but in the end it's really a few companies doing roughly the same business."

Part of the reason for the slowdown is the overall softness of retailing in the US. "Business has not been good for the last six months," said Mr Romeo. "I hope things have bottomed out now."

One area of growth for US factors is in imported goods, according to Mr Rutberg. This is somewhat riskier, since the factor cannot spread the risk if the factor is the only creditor, which is usually the case for imports.

Meanwhile, the sense of risk *is as strong as ever this year.* Ames, a big discount retailer with more than 600 stores, is struggling to survive and many merchants recently suspended shipments to the stores. Many of those who do still supply Ames are demanding cash for their goods on delivery.

LONDON STOCK EXCHANGE

Equities fight back from early falls

ICI AND the New York stock market came to the aid of a beleaguered London equity sector yesterday, helping the FT-SE Index to recover almost all of an early fall and to close above the 2,100 mark, which had haunted brokers over the weekend. But the market remained very nervous ahead of the UK local elections on Thursday and the latest data on domestic inflation, due at the end of next week.

The first day of the new equity trading account made an unhappy start, with the Footsie plunging quickly down through 2,100 following a weekend of gloomy press comments. With the pound and UK Government bonds easier, Barclays Bank announcing a rise in its mortgage rate, and a batch of ex-dividend quotations to plague market indices, there was an estimated loss on the Footsie of more than 20 points before the first official quotation – there were technical problems with the early Stock Exchange calculation.

Account Dealing Dates		
*First Dealings:		
Apr 9	Apr 30	May 14
Option Declarations:		
Apr 26	May 10	May 24
Last Dealings:		
Apr 27	May 11	May 25
Account Day:		
May 8	May 21	Jun 4

*New time dealings may take place from 9.00 am two business days earlier.

Within the first half hour, the Footsie was down to 2084.4 and into territory last seen on October 27 last when the stockmarket was reacting to the sudden departure of Mr Nigel Lawson from the post of UK Chancellor of the Exchequer.

Traders said that there had not been much selling pressure yesterday and that marketmakers evaded what pressure there was by nimble marking down operations. Share prices steadied but made no sustained rally until ICI, still the bellwhether stock of the London market, pleased the City by announcing profits for last year which, although somewhat lower, were better than most City analysts had expected.

The rise in ICI shares helped market indices, but the recovery across the rest of the market was unconvincing until Wall Street opened in better shape than feared, in view of its heavy fall on Friday and American reports that the Trump hotel and property developer may be experiencing difficulties.

The rally reduced the index loss to a couple of points at best (See chart for hourly trading levels) and the final reading showed the FT-SE at 2,103.4, a net loss on the day of only 3.2 points. Turnover, as measured by the day's Seaq total of 326.3m shares, was fairly modest and compared with 536.7m on Friday. Traders said that the bounce in the market yesterday reflected strategic buying by some houses convinced that the Footsie 2,100 mark will prove solid.

While much of the potential bad news may have been discounted, in particular the poor showing expected by the ruling Conservative Party in Thursday's local elections, there were still many bears around in the market yesterday. Today brings the latest survey of UK business opinion by the Confederation of British Industry.

FINANCIAL TIMES STOCK INDICES

	April 30	April 27	April 26	April 25	April 24	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	74.13	74.32	74.81	74.94	75.46	88.85	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	83.60	84.72	84.48	84.87	85.00	97.28	92.91 (8/1)	83.60 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1653.6	1658.7	1676.1	1683.5	1697.2	1750.4	1968.3 (3/1)	1653.6 (30/4)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	221.5	221.6	218.2	228.1	232.0	165.0	378.5 (6/2)	218.2 (26/4)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2103.4	2106.6	2133.6	2143.1	2159.9	2118.0	2463.7 (3/1)	2103.4 (30/4)	2463.7 (3/1/90)	986.9 (23/7/84)
Ord. Div. Yield	5.48	5.47	5.41	5.39	5.35	4.45				
Earning Yld %(full)	12.35	12.26	12.12	12.09	11.97	10.84				
P/E Ratio(Net)(☆)	9.87	9.88	9.99	10.02	10.14	11.15				
SEAQ Bargns 4.45pm	21,821	26,053	21,449	21,036	20,989	30,007				
Equity Turnover(£m)†	-	892.44	982.96	704.44	759.71	1302.48				
Equity Bargains†	-	25,556	21,449	20,347	21,082	33,835				
Shares Traded (ml)†	-	450.1	444.2	323.9	325.3	505.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83. ☆ Nil 9.77

Ordinary Share Index, Hourly changes — Day's High 1654.7 — Day's Low 1638.5

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1644.9	1638.3	1646.0	1644.4	1651.8	1648.7	1649.4	1651.1	1654.7

FT-SE, Hourly changes — Day's High 2104.8 — Day's Low 2084.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2091.7	2085.0	2084.6	2093.1	2100.5	2097.8	2098.4	2098.4	2104.5

GILT EDGED ACTIVITY

Indices*	April 27	April 26
Gilt Edged Bargains	77.4	74.9
5-Day average	69.7	68.9

*SE Activity 1974. †Excluding intra-market business & Overseas turnover. Calculation of the FT Indices of daily Equity Bargains and Equity Value and of the five-day averages of Equity Bargains and Equity Value, was discontinued on July 31. Closing values for July 28 available on request. London report and latest Share Index: Tel. 0891 123001.

ICI rides to the rescue

FIRST-QUARTER results from ICI were cheerfully received as they came in above the most optimistic market expectations.

Worries that the results would be worse than analysts' forecasts saw the shares open 14 lower at 1046p, but they rebounded after ICI announced group profits that were down only 6 per cent to £414m. The share price was eventually 20 up on the day at 1080p after 3.5m shares had been traded.

Profits were particularly strong in pharmaceuticals and agrochemicals, offsetting most of the fall in industrial products, which saw high profits in 1989.

Mr Andrew Benson at Robert Fleming said: "These results are encouraging. Stripping out one-off items, operating profits comfortably exceeded market and our estimates." Sticking to his original forecast of £1.49bn for the year to December 1990, Mr Benson added: "Given the high yield and financial strength of ICI, the shares are likely to be strong performers in the current bear market."

Mr Phillip Morrish at Smith New Court, however, said: "The results look like blockbuster first-quarter results until you look at the exceptionals and the underlying rate." He said he was still cautious on the prospects for growth due to the poor outlook in the UK and world trading conditions, and said he was holding his year-end forecast at £1.35bn.

Switch advised

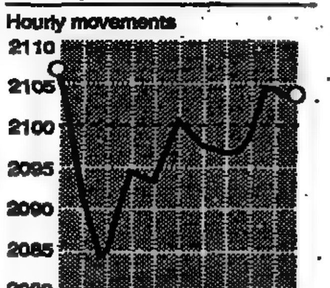
A recommendation by County NatWest WoodMac that brewery sector investors switch from Whitbread into Bass had the expected effect on the companies' share prices. Bass was also helped by renewed stories that it was about to sell its Crest Hotels business to the French company Accor. The latter, however, denied it was holding talks with Bass.

Mr Geoff Collier at County said that Whitbread had outperformed its rival by 18 per cent since August last year despite several factors in Bass's favour.

Whitbread was the more exposed to consumer demand because it was less diversified. Bass had had a steady stream of good news recently, such as the disposals of hotels in Europe. Last week's announcement of redundancies at Holiday Inns in the US indicated that the company was keen on generating rationalisation benefits quickly, and its interim results were due later this month, to be followed by long-awaited presentations on the £1.2bn Holiday Corp acquisition completed in February.

Mr Collier added: "Whitbread is on a prospective p/e of 9.2 and Bass is on 7.8, but Bass should trade at a premium to Whitbread." Bass climbed to a high of 940p before closing at 935p, a net rise of 20. Whitbread slipped 10 at one point before finishing at 364p, a decline of 6 on the day.

FT-SE recaptures the 2,100 mark



US expansion

Irish banks came under considerable pressure after news that Allied Irish Bank is making an I£162m rights issue to help fund a $217m bid for Baltimore Bancorp, the US banking group in which it holds a 4.9 per cent stake.

The terms of the issue are one-for-six at 175 Irish pence a share. Allied lost 14 to 235p on the news. Bank of Ireland shed 7 to 238p in sympathy.

Mr Chris Wheeler of Shearson Lehman Hutton, the US investment bank, said that although the bid went against the grain – most international banking groups have been getting out of the US banking business – he thought the group was building on its success with First Maryland Bank, generally accepted to have been the most successful acquisition of a US bank by a foreign group.

"It should take Allied's US market share up from 6.5 per cent to 11 per cent," said Mr Wheeler, who added: "Although Allied did not have to make the rights issue – they have a very strong capital ratio - they were right to do so to ensure it remained so."

The banking and insurance sectors were quiet yesterday as the market braced itself for the batch of potentially disturbing factors due over the trading account which opened yesterday. Tomorrow brings the final money supply data, including bank lending figures, and also the official reserves data. But the most disturbing prospect for the financial sector could prove to be the statistics on domestic inflation, which will be featured by the April Retail Price Index, due at the end of next week.

Shares in Midland Bank remained unsettled by last week's warnings on current economic conditions, spelled out by Sir Kit McMahon, the chairman. Barclays followed last week's annual meeting by announcing early yesterday that its mortgage rate was going up to 15.7 per cent – the increase of a full percentage point was a catch-up operation but still depressing for the stock market. At 504p, Barclays added 4.

The rest of the banking sector was helped by the recovery in the equity market. Lloyds closed unchanged at 250p, while National Westminster, at 309p, added 2. There was little interest in TSB, finally at 125p.

First National Finance, which fell sharply last week following a number of downgradings, rallied 2 to 191p.

Merchant banks remained thoroughly depressed, with S G Warburg losing 10 more to 400p and Kleinwort Benson 7 to 341p.

Guardian Royal were very active and lost 6 to 215p, with 4.7m traded. Commercial Union slipped 4 to 443p. Royal Insurance shed 14 to 424p. Sun Alliance firmed 3 to 301p, while General Accident recovered from early weakness to close unchanged at 100p.

AB Foods continued to suffer from last week's institutional sale of the company's stock. The shares lost 13 to 518p. Moss Bros posted final profits 42 per cent higher at £4.1m and added 3 at 175p.

Housebuilders flinched at Barclays' increased mortgage rate, although the rise merely brought it in line with the rates charged by other lenders, and ended the session showing fresh losses. There was also speculation of another quoted housebuilder being in serious difficulties, although no names were mentioned.

Most construction and housebuilding stocks suffered losses, with Costain declining 10 to 242p and Tilbury 12 to 536p. Among the latter group, Colroy fell 10 to 110p and Countryside Properties slipped 6 to 173p. Extremely good annual results failed to uphold Lilley, which eased to 57½.

The favourable news in ICI lifted sentiment in a number of the other chemical stocks. BOC added 8 at 506p, while Laporte, a dull feature of late, hardened a penny to 492p, having touched 494p earlier in the day.

Specialists were deeply suspicious of a mid-session rally in the property sector, which had dropped sharply at the outset following a gloomy weekend press. The leaders nevertheless ended the day with only minimal damage.

A London trader noted "The worries in the property business seem to have shifted to New York for the time being because of growing concern over real estate there." He said property shares in London opened weakly and slipped below a crucial support level, then picked up on the back of the futures market. But there remained "genuine fears about the fundamental weakness in the property sector and they will not go away," he added.

Among the leaders, Land Securities fell to 459p before steadying to close a net 4 off at 461p, while British Land were a similar amount lower at 334p. MEPC managed a minor gain on the day at 480p.

The second-liners were not so fortunate. Speyhawk retreated 11 more to 140p, Great Portland 8 to 267p and Greycoat 17 to 400p. Other weak spots included Helical Bar, which dipped a further 14 to 204p.

Allied London bucked the trend with a rise of 9 to 88p xd. City Site Estates looked as if it was following suit, the shares being 8 better at one point. But they trickled back to 151p, a net decline of 2, ahead of an announcement that the company had bought in the market 128,000 of its own shares, or 0.8 per cent of its issued share capital, at 143p a share. Peel Holdings also said it had bought in some of its shares – 160,000 at 155p each and fell 9 to 148p.

Week-end reports that W. H. Smith might sell its Do-It-All DIY chain, or merge it with rival Payless, which is owned by Boots, and float off the new entity, helped both companies' share prices. Mr Bill Currie at Hoare Govett said that "either possibility would be earnings enhancing for Smith." The "A" shares climbed 12 to 298p.

Boots was also helped by vague talk that Hanson might be interested in bidding for the company. The former's shares firmed 5 to 264p. Hanson eased 2½ to 211p as Ms Andrea Kirkby at Goldman Sachs advised her clients to "lighten their holdings" in the stock. She denied market reports that she had cut forecasts, saying that both Hanson and BTR were at too high a premium to the sector.

A determined seller of Cadbury-Schweppes depressed the shares while the general market staged a recovery. The price shed 4 to 304p. The company said it had acquired N V Gibeco, the "Gini" franchisee for Belgium and Luxembourg, from the Bosteels brewery group. Gibeco sales for the year ended September 1989 were BFr321m (£5.6m).

Negative weekend press comment on Ranks Hovis McDougall set the shares trickling back all day. They closed 9 lower at 364p. There was also talk that a US securities house had been selling convertible eurobonds and that other holders had hedged their eurobond positions by selling stock.

Last week's sector review from BZW, which was particularly positive on Unigate, helped the shares firm 5 to 265p. Hazlewood Foods fell quickly amid stories that one of the company's founders had sold a large block of stock. But the broker said to have conducted the sale denied the story, suggesting instead that "a badly handled institutional sell order" was to blame. Other traders said that dealers generally had got the stock on their books and were unwilling to buy more.

Asda held firm on consideration of the series of presentations to analysts in the City last week and being held this week. The shares eased a fraction to 91½p. Video Stores full year loss of £2.7m, compared with the previous figure of £594,000, left the shares 2 lower at 19½p.

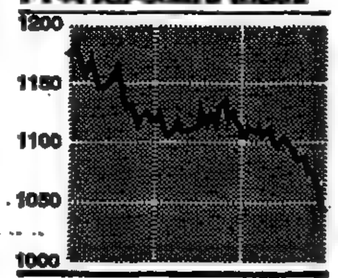
Rolls-Royce continued to put in a strong performance with vague whispers of Thursday's big shoppers said to have been nibbling away at the stock. The shares added 5 at 198p as 3.5m shares changed hands.

Tootal shares (85p) hardly blinked at lower annual profits much in line with market expectations at £35.7m, against £42.3m last time.

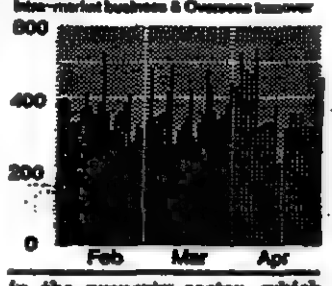
Analysts forecast that Tootal profits this year would return to the latter level, and thought there was a strong possibility of major shareholder Coats Viyella renewing last summer's conditional bid for the company. The Monopolies and Mergers Commission cleared the merger provided the UK thread businesses of Coats were sold off.

■ Other Market statistics, including the FT-Actuaries Share Index, Page 28

FT-A All-Share Index



Equity Shares Traded



NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (2).
STORES (1) FOODS (1).
NEW LOWS (720).
BRITISH FUNDS (75) AMERICANS (4) CANADIANS (2) BANKS (20) BREWERS (7) BUILDINGS (41) CHEMICALS (16) STORES (31) ELECTRICALS (30) ENGINEERING (56) FOODS (27) HOTELS (8) INDUSTRIALS (96) AAH, ADT, Allied Part., Anglo Utd., Amour Tst., A.S. Porta, Asiast Assoc., B.H. Prop., BOC, BTR Warrants, BTR Nylex, Bardon, Barrett (H), Beckenham, Bespak, Black (P), Brammer, Bridport-Gundry, Brit. Fittings, Brit. Vita, CSR, Cannon St. Invs., Caparo Inds., Calestion, Claythithe, Co. of Designers, Continuous Stationery, Cooper (A), Cosalt, Courtaulds, Courtney Pope, Cowan de Groot, Davis Godfrey, De La Rue, Elders IXL, Erskine Hse., Do. 7¾pc Pf., Expamet Int., Fenner, Fitzwilton, Flexello C & W, Great Sthn., Halma, Hanson, Do. 10pc Cv. Ln., Do. 5.75pc Cv Pf., Do. Warrants, Hawthorn Leslie, Hawtin, Hepworth, Hornby, Hunting, IMP Int., Johnson Matthey, Lincat, Lyon, MB, Do. 7¼pc Cv. Pf., Macfarlane, Morgan Crucible, Do. 7.5pc Pf., Norton, Nova, Pacific Dunlop, Portals, Porter Chadburn, RPS, Ranco Oil, Record, SEP Ind., St. Sale Tilney, Scott & Robertson, Do. 7½pc Pf., Seron, Shanks & McEwan, SmithKline Bch. Eq. Units, SmithKline Bch. A, Sonic. Sth. Business, Spring Ram, Stocklake, Storegard, Swallowfield, Sycamore, Tinsley (Eliza), Toye, Trafalgar Hse., URS Int., WSP, Whatman, Williams, Do. 5p Cv. Pf., Wyndham, INSURANCE (12) LEISURE (21) MOTORS [illegible] NEWSPAPERS (8) PAPERS (22) PROPERTY (48) TEXTILES (9) TRANSPORT (9) TRUSTS (136) WATER (4) OILS (21) OVERSEAS TRADERS (9) MINES (32) THIRD MARKET (7).

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	676	174	-1
ASDA Group	2,100	91½	-½
Abbey National	801	178	
Allied-Lyons	881	417	+6
Amstrad	1,000	88	+2
Anglian Water	703	182	+½
Argos	3,000	193½	-½
Argyll Group	437	207	-1
Ass. Brit. Foods	80	387	-1
BAA	686	377	+1
BAT Inds.	705	697	+4
BET	738	209	-1
BICC	176	480	-6
BOC	1,200	506	+8
[illegible]	[illegible]	[illegible]	[illegible]
British Airways	852	197	
British Gas	6,200	187	-1
British Land	246	334	-4
BP	6,200	304	-2
British Steel	4,600	135½	+1½
British Telecom	3,300	243	-1½
Burmah Oil	533	689	-6½
Burton	883	148	+1
Cable & Wire.	1,100	489	+4
Cadbury	1,000	304	-4
Calor Group	34	248	
Carlton Comms.	171	477	+2
Coats Viyella	3,300	109½	-1½
Comm. Union	843	443	-4

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

APPOINTMENTS

Cazenove admits new partners

■ CAZENOVE & CO has taken into partnership Mr Richard Wintour, Mr Jonathan Hubbard, Mr Richard Grubb, Mr Michael Power, Mr Laurence Hollingworth, Mr John Reilly, Mr Steve Daniels, Mr John Harbord-Hamond, Mr Roger Lambert, Mr Simon Dettmer and Mr Arthur Drysdale. Mr Michael Belmont and Mr Tony Bamford have retired.

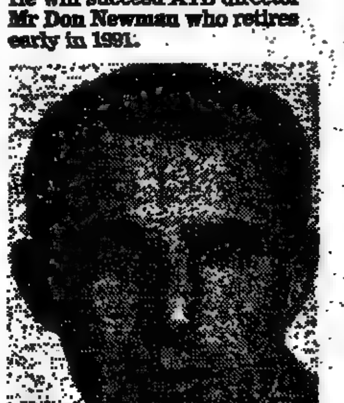
■ Mr Robert G. Judson has been appointed managing director of Amey Mec-Tric, newly-formed mechanical and electrical contracting company of AMEY HOLDINGS.

■ SCHRODERS has appointed Mr Adam Broadbent as a director. He is group managing director of Wertheim Schroder, New York, where he will be based.

Mr Hitoshi Tanaka has been appointed executive chairman of Schroder Securities (Japan). He was with Yamaichi Securities Co.

■ Mr Derek Bailey has been appointed president of the INSTITUTE OF TRANSPORT ADMINISTRATION. He is a director of Starr Roadways.

■ The AGRICULTURAL TRAINING BOARD has appointed Mr Nigel Snook as its chief executive designate. He will succeed ATB director Mr Don Newman who retires early in 1991.



Mr Stephen Lewis *(above)* has been appointed as joint managing director of COURTNEY POPE (HOLDINGS).

■ Mr Alan Bowers, company secretary, has been appointed to the board of FAIRLINE BOATS, Oundle.

■ Mr Geoff Brigginshaw, managing director of Trent Concrete Group, has been elected president of the BRITISH PRECAST CONCRETE FEDERATION.

■ Sir Richard Storey, chairman of Portsmouth and Sunderland Newspapers, is to be the next president of the NEWSPAPER SOCIETY.

■ Mr Hugh Collum, group finance director of SmithKline Beecham, becomes chairman of THE HUNDRED GROUP on November 15. The Group provides a forum for senior financial officers.

■ Ms Sophia Krakowian has been appointed group investor relations manager at STANDARD CHARTERED. She was a vice president at Citibank.

■ Mr Allan Johnson has re-joined ROCKWELL INTERNATIONAL as European counsel, based in London. He was director of legal affairs at Hertz Europe.

■ Mr Chris Spires has been appointed assistant director (sales) of S. & P. COIL PRODUCTS, Leicester.

■ BOYSCOT DRIVE has appointed Mr Terence Drane as sales and marketing director. He was national sales manager, BRS Automotive.

■ MARUMAN SECURITIES (EUROPE) has appointed Mr Mark Deacon as chief financial officer and company secretary, succeeding Mr Ian Byrne who is joining the National Energy Foundation as director of finance and administration. Mr Deacon was with Merrill Lynch. Mr Ali Nsouli has been appointed associate director - sales, Mr Charles Greenwood manager - sales, Mr Osamu Adachi equity dealer, and Mr Richard Sharp and Mr Abbas Krisht sales executives.

■ Professor William Gosling has joined SECURICOR GROUP as director, electronic developments, on a part-time basis. He was group technical director at Plessey, and held the chair of electronic engineering at Bath University.

■ Mr David Pye has joined PEARL ASSURANCE as general manager, general insurance division at the head office in Peterborough. He was director of UK underwriting and staff director with the Dutch-owned Aegon Insurance Co (UK). Mr Pye has taken over from Mr Ken Fletcher who has retired.

THE VETERINARY DRUG CO has appointed Sir Gordon Shattock *(above)* as vice chairman, succeeding Mr Nick Henderson who retires next year. Sir Gordon has been a director since 1982.

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
303	219	ANZ $A1	219	–5	44c	1.4	9.1	7.8
196	172	Abbey National 10p	179	.....	5.7	4.3	4.2	7.3
282	230	Allied Irish Ord	235	–14	Q40%	3.3	0.4	12.1
£13½	£11¾	Algemene Fl.10	£12½	.....	Q28%	2.1	7.0	6.7
85	73	Anglo Irish	77	+1½	Q28.7%	2.7	5.7	10.5
81	68	Ansbacher (H.) 1p	68	.....	2.5	1.3	4.9	19.6
£70¾	£54¼	Bancaire Cie Fr100	£68	.....	Q12¼%	–	2.0	–
£22¼	£16¾	Banco Bilbao Viz	£18¼	.....	Q17.9%	2.0	3.9	12.7
£31	£24¼	Banco de Santander	£28¼	.....	Q25%	2.4	4.0	10.5
286	238	Bank Ireland Ir£1	238	–7	Q23%	3.2	4.9	8.1
£19½	£18	Bank Leumi	£19½	.....	–	–	–	–
350	320	Bank Leumi (U.K.)	345	.....	†13.5	–	5.2	–
125	104	Bank Scotland	106	.....	4.55	Q3.6	5.7	6.4
100¼	84	Do. 9¼pc Irrd Pf.	84½	–6	9¼%	–	14.6	–
54	44	Bank of Wales	44	–3	2.8	♦	8.5	♦
599	493	Barclays £1	504	+4	27.4	3.5	7.2	5.0
22	14	Beachmark 20p	14	.....	1.63	1.0	15.5	8.0
335	310	Brown Shipley £1	314	+1	†10.5	–	4.5	–
455	375	Cater Allen £1	375	–5	23.5	–	8.4	–
179	144	Chancery	147	+3	†8.0	2.8	7.3	6.5
£23¼	£19¾	Commerzbk DM10	£20¼	.....	Q18%	–	3.3	–
£13¼	842	Dai Ichi KBk Y50	851	.....	Q16%	8.8	0.3	32.5
£31½	£26¼	Deutsche Bk DM50	£27¾	–1¼	Q28%	–	1.9	–
£20¾	£19	Espirito Santo	£20¼	+¼	Q75c	3.3	2.2	13.9
253	183	First Nat. Fin. 10p	192	+2	13.0	2.4	9.1	5.9
121	96	FNFC 6.3pc Cv Pf	96	–5	6.3%	–	8.7	–
£15¼	953	Fuji Bank Y50	985	–1	Q15.6%	4.2	0.3	–
325	262	Gerrard & National	264	–2	18.5	–	9.3	–
154	143	Guinness Mahon 10p	144	.....	2.1	–	1.9	–
328	223	Hambros 20p	225	–4	†10.0	–	5.9	–

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS – Contd

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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MOTORS, AIRCRAFT TRADES

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£14½	975	DAF N.V. Fl5	£10½	–⅛	Q50%	2.0	7.9	6.2
149	120	General Mtrs Units	139	.....	tQ12½%	–	5.4	–
41	26	March Group 5p	26xr	–2	β–	–	–	–
£222½	£181½	Volkswagen DM50	£202½	–½	Q20%	2.8	1.8	21.5
£44⅜	£33	Volvo Kr25	£33	–⅝	Q62%	♦	4.8	♦

Commercial Vehicles

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
253	183	ERF (Hldgs)	186	–5	15.0	3.7	10.8	3.3
180	135	Plaxton Grp	135	.....	8.5	♦	8.4	♦

Components

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
458	420	Abbey Panels	453	–5	3.5	10.8	1.0	12.0
225	203	Airflow Streamlines	213	.....	6.0	4.2	3.8	8.5
190	150	Bostrom 5p	150	–5	5.75	3.1	5.1	6.8
266	191	Dowty 50p	208	–2	18.0	2.3	5.1	10.9
239	155	FR Group	155	–1	6.37	♦	5.6	♦
135	63	Kwik-Fit Hldgs. 10p	63xd	–½	2.4	♦	5.1	♦
694	568	Lucas Inds. £1	592	–4	125.0	3.0	5.6	6.7
16	11	Spice 5p	11	.....	41.2	0.4	♦	–

Garages and Distributors

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
28	20	Alexanders 10p	20	.....	1.0	3.0	6.7	6.0
135	116	Appleyard 10p	116	–1	7.8	2.4	9.0	5.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
Hamilton Oil Corp	£20½	–⅜	Q10c	–	0.3	–
[illegible] Oil & Gas 50p	165	–5	–	–	–	–
[illegible] Pet Grpn	135	.....	–	–	–	–
[illegible] Drilling 1p	15½	–2	♦	–	–	♦
[illegible] Energy 10p	17	.....	–	–	–	–
[illegible] pc Cv. Prf	33	–2	6%	–	24.2	–
[illegible] Oil & Gas 50p	135	–1	1.66	♦	1.6	–
[illegible]	559	–15	11.25	1.6	2.7	27.2
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

MINES—Contd

Miscellaneous

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
190	140	Anglesey Mining 9p	140	.....	–	–	–
110	62	Do. Warrants	62	.....	–	–	–
17	12½	Anglo-Dominion	14½	.....	–	–	–
651	482	Bond Intl. Gold	482	–22	–	–	–
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ● USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- ¶ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- § No par value

B.Fr. Belgian Francs. Fr. French Francs. ■ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	76	.....
Craig & Rose £1	610	.....
Finlay Pkg. 5p	55	.....
Holt (Jos) 25p	1310	+2

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 1991	£97	.....
9pc Cap Ln. 1996	£93	.....
Fin. 13% 97/02	£111	.....
Arnotts	495	.....
Carrol (P.J.)	150	.....
Hall (R. & H.)	178	–20
Heiton Hldgs	68	.....
IRG	200	.....
United Drug	145	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5½
BAT	85
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property

	p
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils

	p
Aviva Petm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines

	p
Lonrho	22
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1,050 per annum for each security.

FT UNIT TRUST INFORMATION SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)F

Allied Management Ltd (1200)H

Schroder Unit Trusts Ltd—Contd.

Pembroke Administration Ltd (1700)F

Perpetual Unit Tst Mngmt (1200)F

GUIDE TO UNIT TRUST PRICING

FT UNIT TRUST INFORMATION SERVICE

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Thornton Unit Managers Ltd (1000)F
33 Cavendish Sq., London W1M 7HF 01-493 7262
Dealing 01-493 8545

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Opps	5	51.95	52.84	56.36	-0.47	0.20
(Accum Units)	5	53.47	54.38	58.00	-0.48	0.20
European Opps	5	77.24	77.43	82.60	-0.10	0.00
(Accum Units)	5	77.66	77.86	83.04	-0.10	0.00
Far Eastern Opps	5	129.10	129.27xd	137.88	-0.50	0.00
(Accum Units)	5	130.02	130.18xd	138.76	-0.50	0.00
Golden Opps	5	36.42	36.42	38.84	-0.40	0.00
(Accum Units)	5	37.46	37.46	39.95	-0.41	0.00
Intl Hi-Yield	5	59.16	59.21	63.15	-0.08	4.36
(Accum Units)	5	64.49	64.55	68.84	-0.09	4.36
Sanyo-Japan Tst	5	62.57	62.57xd	66.73	-0.10	0.00
(Accum Units)	5	62.57	62.57xd	66.73	-0.10	0.00
Kangaroo	5	29.11	29.11	31.04	-0.10	1.35
(Accum Units)	5	29.28	29.28	31.22	-0.10	1.35
Oriental Income	5	32.90	32.93xd	35.14	-0.06	4.98
(Accum Units)	5	37.54	37.54xd	40.09	-0.07	4.98
Tiger	5	148.40	148.40xd	158.09	-0.84	0.71
(Accum Units)	5	147.98	147.98xd	157.83	-0.84	0.71
UK Hi-Yield	5	40.44	40.44	43.13	-0.05	5.30
(Accum Units)	5	46.24	46.24	49.31	-0.07	5.30
UK Opps	5	51.36	53.82	57.38	-0.58	0.74
(Accum Units)	5	55.96	58.65	62.71	-0.63	0.74

Three Counties Asset Mngmt Ltd (1430)F
Cuthbert House, Tower Road, Washington NE37 2SH 091 415 3034

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Balanced Portfolio	6	87.48	89.05	94.77	-0.82	4.00

Timberlain Unit Trust Mngrs Ltd (0900)F
1 White Hart Yard, London SE1 1NX 01 407 5966

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Portfolio	2	96.58	96.58	99.25	-1.38	1.19

Touche Remnant Unit Tst Mngt Ltd (1600)F
Mermaid Hse, 2 Puddle Dock, EC4V 3AT 01-248 1250
4 Hourly Pricing—12 Noon Historic

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TR American Gwth	5¼	46.56	46.56	49.66	-0.45	0
TR Eur Sp Sits Acc	5¼	45.49	45.49	48.47	-0.09	0
TR Eur Sp Sits Inc	5¼	44.61	44.61xd	47.53	-0.00	0
TR Far East Ops Inc	5¼	23.17	23.25	24.74	-0.14	–
TR Far East Ops Acc	5¼	23.17	23.25	24.74	-0.14	–
TR General Growth	5¼	69.15	69.15	73.36	-0.06	2.78
TR Global Tech	5¼	71.33	71.33	76.00	-0.25	0
TR Income Growth	5¼	79.57	79.57	84.64	-0.45	4.72
TR Income Monthly	5¼	49.29	49.29	52.43	-0.27	7.77
TR Japan Growth	5¼	78.78	78.78	83.64	-0.11	0
TR Overseas Growth	5¼	65.26	65.26	69.67	-0.39	0
TR Smaller Cos	5¼	70.20	70.20xd	74.68	-0.51	2.56
TR Special Ops	5¼	80.79	80.79	85.94	-0.45	3.48
TR Mgd Eq Plan Acc	5¼	32.55	32.55	34.62	-0.05	2.87
TR Mgd Eq Plan Inc	5¼	30.52	30.52	32.46	-0.03	2.87
TR Wwide Sp Sit Acc	5¼	36.52	36.52	38.96	-0.21	0
TR Wwide Sp Sit Inc	5¼	36.49	36.49	38.92	-0.22	0
TR Pension Portfolio						
TR American Gth §	6	27.91	28.28	29.98	-0.40	0
TR Eur Sp Sits §	6	36.06	36.30	38.70	-0.18	0
TR General Growth §	6	22.89	23.13	24.52	-0.14	0
TR Global Tech §	6	28.06	28.43	30.14	-0.30	0
TR Income Growth §	6	23.23	23.47	24.88	-0.15	0
TR Japan Growth §	6	24.63	24.86	26.35	-0.16	0
TR Mgd Equity §	6	24.91	25.17	26.68	-0.10	0
TR Overseas Growth §	6	27.92	28.52	30.02	-0.30	0
TR Smaller Cos §	6	16.57	16.74	17.75	-0.18	0
TR Special Ops §	6	16.61	16.79	17.79	-0.13	0
TR Stlg Liquidity §	6	25.84	26.29	27.39	–	0
TR Wwide Sp Sits §	6	29.65	30.04	31.84	-0.36	0

Trades Union Unit Tst Mngrs (1200)H
NLA Tower, Addiscombe Road, Croydon 01-686 4355

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TUUT	5	229.0	230.5	242.6	-1.3	3.37

Triton Fd Mngrs. Ltd. (1000)H
Royal Ldn. Hse. Colchester CO1 1RA 0206 764400

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Triton General	5¼	158.8	161.6xd	172.0	-1.98	3.14

Tyndall Unit Tst Mngrs Ltd (1600)F
25 Bucklersbury, London EC4N 0800 373874

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Austral Value	5¼	40.58	40.58	42.98	-0.37	–
British Lion	5	80.31	80.31xd	85.05	-0.11	3.24
Accum Units	5	84.86	84.86	89.88	-0.11	3.24
Capital Defender	5	41.19	41.19	43.63	+0.07	11.87
Accum Units	5	47.04	47.04	49.82	+0.08	11.87
1992 Eurogrowth Acc	5¼	77.09	77.89	82.50	-0.70	1.05
Income	5	69.99	69.99xd	74.13	-0.11	9.05
Accum Units	5	80.81	80.81	85.58	-0.14	9.05
Smaller Co's	5	69.05	69.05	73.11	-0.23	3.67
Accum Units	5	72.06	72.06	76.32	-0.25	3.67
Tiger Accum H	5¼	70.30	70.30	74.46	-0.25	2.00

UK Unit Trust Managers Ltd (0905)F
Worthing Road, Horsham, RH12 1SL 0403 40099

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Growth	5¼	57.19	58.72	62.46	-1.3	2.39
Technical Analysis	5¼	59.22	59.91	63.73	-1.27	1.30

NM Rothschild Asset Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
NC Managed	54.2	57.7xd	-0.7	3.98
NC Property	191.9	209.7xd	.....	–

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Intl Exempt	142.9	144.4	.....	3.58

Stewart Ivory & Co Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Saints PPP Apr 2	248.4	261.5	-7.5	0.00

Closed to new business

Thornton Unit Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt Apr 17	101.53	107.62xd	.....	3.84
(Accum Units)	100.74	106.46xd	.....	3.84

Touche Remnant Unit Tst Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
TR Exempt European	1220	1244xd	.....	1.45
TR Exempt Nth Amer	949	962xd	.....	3.38
TR Exempt Pac Basin	864	868xd	.....	0

INSURANCES

AA Friendly Society
(Investment Mngt M & G (or Mngt Ltd)

	Bid Price	Offer Price	+ or -	Yield Gross
AA Friendly Sy Apr 12	–	166.1	.....	–

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gross
Prop. Ser. 1	299.7	315.5	–	–
Equity Ser. 1	121.0	127.4	-2.0	–
Prop. Acc. Ser 2	461.9	486.3	–	–
Equity Ser 2	140.3	147.7	-2.4	–
Selective Acc	329.5	346.9	-2.9	–
Prop. Ser. 4	362.4	381.5	+0.1	–
Equity Ser. 4	149.4	153.1	-1.8	–
Man. Ser. 4	422.8	445.1	-3.6	–
Fixed Int. Ser. 4	202.9	213.7	-1.1	–
Indexed Inv. Ser. 4	139.6	147.0	-0.2	–
American Ser. 4	311.0	327.4	-1.8	–
Japan Ser 4	281.8	296.7	-0.1	–
European Ser 4	127.8	134.6	-1.4	–
High Inc. Ser. 4	432.7	455.5	-5.7	–
Money Ser. 4	247.3	260.4	–	–
Intl Ser. 4	111.8	117.7	-0.4	–
Custodian Ser. 4	100.8	106.2	-0.4	–
Pension Funds				
Property	648.3	682.4	–	–
Equity	1052.2	1107.6	-15.9	–
Selective	358.3	377.2	-3.3	–
Managed	793.4	837.3	-8.6	–
Security	496.7	512.4	–	–
Fixed Int	242.4	255.2	-1.2	–
Indexed	151.8	159.8	-0.2	–
American	260.3	274.0	-1.9	–
Japan	296.2	311.8	-0.2	–
European	188.1	198.1	-2.6	–
High Income	118.8	125.1	-1.7	–
Ethical	111.4	117.3	-1.6	–
International	205.1	215.9	-1.9	–

Abtrust Management Ltd
10 Queens Terrace, Aberdeen AB9 1QJ 0800 833580

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Growth	369.71	389.17	.....	–
Managed Income	132.24	139.20	.....	–

Acuma Life Assurance Ltd
The Glanty, Egham, Surrey TW20 9AT 0784 475333

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	161.9	170.5	.....	–
World Growth	143.2	150.9	.....	–
UK Equity	182.4	192.1	.....	–
UK Small Companies	160.9	169.5	.....	–
European	155.1	163.4	.....	–
Far Eastern	287.7	302.9	.....	–
Nth American	112.2	118.2	.....	–
Fixed Interest	117.0	123.2	.....	–
Index Linked Stks	134.2	141.3	.....	–
Money	127.0	133.8	.....	–
Pen Managed	212.8	224.1	.....	–
Pen World Growth	156.0	164.3	.....	–
Pen UK Equity	273.6	288.1	.....	–
Pen UK Small Cos	207.2	218.2	.....	–

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

	Bid Price	Offer Price	+ or -	Yield Gross
Barclaybond	435.8	458.8	-4.1	
Managed Accum	365.3	384.6	-3.3	
Equity Accum	547.6	576.5	-7.4	
Property Accum	313.4	329.9	+0.3	
International Accum	301.0	316.9	-1.3	
Gilt-edged Accum	214.9	226.3	-2.7	
Money Accum	220.5	232.2	+0.5	
American Accum	183.1	192.8	-1.4	
Australia Accum	155.0	163.2	-2.4	
Financial Accum	238.8	251.4	-6.0	
"500" Accum	292.9	308.4	-5.2	
Europe Gwth Accum	203.1	213.8	-0.2	
Income Accum	332.9	350.5	-5.8	
Japan & Gen Accum	372.6	392.3	-0.4	
Leisure Accum	190.4	200.5	-2.6	
Spec Sits Fd Accum	134.8	141.9	-2.6	
Universal Tec Accum	119.9	126.3	-0.2	
Smaller Co's Accum	106.2	111.8	-1.9	
Do Initial	98.0	103.2	-1.8	
Managed Pns Accum	540.7	569.2	-6.3	
Equity Pns Accum	212.6	223.8	-4.0	
Intnl Pns Accum	166.7	175.5	-0.9	
Gilt-edged Pns Accum	346.8	365.1	-2.9	
Money Pns Accum	364.8	384.0	—	
Property Pns Accum	169.9	178.9	—	
"500" Pens Accum	93.3	98.3	-1.6	
Income Pens Accum	104.2	109.7	-1.8	
Smaller Cos Pens Accum	95.6	100.7	-1.7	
Special Sits Pens Accum	82.6	87.0	-1.7	
Financial Pens Accum	90.1	94.9	-2.2	
Leisure Pens Accum	92.1	97.0	-1.2	
America Pens Accum	107.7	113.4	-0.9	
Australia Pens Accum	93.1	98.9	-1.6	
European Gwth Pens Accum	158.9	167.3	-0.1	
Japan & Gen Pens Accum	86.0	90.6	-0.1	
Universal Tech Pens Accum	104.5	110.0	-0.2	

For prices of Initial Units please 01-534 5544.

Black Horse Life Ass. Co Ltd
Mountbatten Hse, Chatham, Kent. 0634 834000

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
The Managed Invest Fd	317.80	334.53	-7.90	
The Income Fund	531.54	559.47	-13.25	
The Extra Income Fund	450.04	473.73	-12.05	
The Wrldwd Growth Fd	367.29	386.63	-4.46	
The Balanced Fund	415.78	437.67	-9.32	
Smlr Co's & Recy Fd	476.22	501.29	-10.7	
The Int Technology Fd	365.20	384.43	-5.49	
The Nth Amer & Gen Fd	265.34	279.31	-1.99	
The Energy Int Fd	152.71	160.75	-2.77	
The Pacific Basin Fund	299.57	315.34	-4.14	
The German Growth Fund	190.94	200.99	-3.32	
The Japan Growth Fund	169.60	178.53	-0.36	
The UK Growth Fund	139.36	146.91	-3.14	
The Coml Eur Gwth Fd	103.83	109.30	-0.6	
Nth Amer S.C. & Recy	144.49	152.10	-1.22	
The Property Fund	515.72	542.34	+0.12	
The Fixed Interest Fd	190.19	200.20	-4.12	
The Cash Fund	218.69	230.20	+0.38	
The Managed Fund	508.86		-11.54	
Pension Funds				
Managed Pen Fd	131.04	137.94	-2.93	
Fixed Int Pen Fd	95.76	100.80	-1.99	
Property Pen Fd	151.49	159.47	+0.11	
Cash Pen Fd	125.93	132.56	+0.37	
UK Equity Pen Fd	117.33	123.51	-2.60	
Nth Amer Pen Fd	122.18	128.61	-1.14	
European Pen Fd	156.70	164.95	-0.75	
Far East Pen Fd	105.15	110.69	-1.77	

Britannia Life Ltd
190 West George St, Glasgow G2 2PA 041-332 6462

	Bid Price	Offer Price	+ or -	Yield Gross
Pens Balncd Gilt Fd Cap	32.30	34.70	-0.30	
Pens Balncd Gilt Fd Acc	39.50	42.00	-0.40	
Cash Deposit Cap	27.20	29.20	+0.10	
Cash Deposit Accum	33.40	35.80	+0.10	

CCL Assurance Ltd
74 Shepherds Bush Green, W12 8BD 01-740 7070

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
UK Equity	184.2	194.3		
American Equity	138	145.6		
Far East Equity	173.6	183.1		
Managed Fund Acc	424	449		
International Equity	259.3	273.6		
Gilt Edged	202.9	214.1		
Money Fund	174.4	184		
CCL Henderson	193.6	204.2		

Laurentian Life plc—Contd.
formerly Trident Life

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Equity Ser 3 Acc	451.1	474.8	-5.9	–
Gtd Managed Acc	327.1	344.3	-2.1	–
Pension Funds				
Pens Equity	608.4	640.4	-5.8	–
Pens Managed	570.4	600.4	-4.6	–
Pens Gilt-Edge	351.6	370.1	-2.4	–
Pens Deposit	380.0	400.0	.....	–
Pens Property	572.3	602.4	.....	–
Swiss Bond	185.5	195.3	+0.1	–

Merchant Investors Assurance Co Ltd – Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
MI UK Fund	334.2		-2.6	–
MI UK Pens	630.9		-6.6	–
MI Intl Equity	372.6		-2.6	–
MI Intl Equity Pens	576.3		-5.4	–
MI International Fund	358.6		-2.2	–
MI Intl Fd Pens	517.6		-3.3	–
MI Nth American Equity Fund	137.5		-0.6	–
MI Nth Am Equity Pens	153.6		-0.9	–
MI Far East Equity Fund	299.0		-0.9	–
MI Far East Equity Pens	393.9		-1.5	–

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National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	98.4	103.6	-0.7	-
Managed Growth	134.7	141.8	-0.9	-
Managed Opportunity	138.4	145.7	-0.9	-
NFMC Target Financial	95.0	100.1	-0.5	-
Pension Funds				
Managed Cautionary	104.8	110.4	-0.4	-
Managed Growth	138.9	146.3	-0.7	-
Managed Opportunity	140.0	147.4	-0.8	-
NFMC Target Mngd Pen	1441.5	1517.4	-11.0	-

National Mutual Life
The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	215.1	226.5	----	-
Managed Protect Fund	180.7	190.3	----	-
Pens Managed	280.1	294.9	----	-
Pens UK Equity	324.6	341.7	----	-
Pens Overseas Equity	393.8	414.6	----	-
Pens Property	142.3	149.8	----	-
Pens Fixed Interest	165.7	174.5	----	-
Pens Index Linked	141.1	148.6	----	-
Pens Deposit	194.5	204.8	----	-
Harvester & P.R.P.				
UK Equity	141.9	149.4	----	-
Overseas Equity	141.0	148.5	----	-
Fixed Interest	113.3	119.3	----	-
Property	118.4	124.7	----	-
Index Linked	128.3	135.1	----	-
Deposit	134.9	142.1	----	-
Managed	141.2	148.7	----	-
With Profits	137.6	144.9	----	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	322.9	339.9	-2.1	-
UK Equity	401.2	422.4	-1.8	-
Overseas Eq	348.4	366.8	-3.5	-
Americas	259.6	273.3	-3.0	-
Far East	362.5	381.6	-2.4	-
Property	215.5	226.9	-0.8	-
Fixed Int	203.1	213.8	-1.8	-
Indexed Gilt	133.8	140.9	-0.8	-

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price	Offer Price	+ or -	Yield Gross
UK Managed Initial	110.1		-0.7	-
Property Initial	167.5		-0.2	-
Money Initial	80.2		+0.1	-
Special Market Initial	130.2		-0.6	-
Japan Equity Initial	93.9		-0.3	-
North American Initial	80.8		-1.1	-
Pacific Initial	76.7		-0.1	-
Technology Initial	92.9		-0.1	-
Nat Resources Initial	54.9		-0.2	-
European Initial	109.0		-0.3	-
Residential Prop Init	99.6		----	-
Swiss Equities Initial	36.8		-0.3	-
Hong Kong Initial	49.3		-0.6	-
UK High Inc Eq Init	62.9		-0.9	-
Int Fixed Interest Init	48.2		-0.1	-
Int Managed Init	55.7		-0.1	-
HIP Managed Init	110.1		-0.4	-
HIP Managed II Initial	97.7		----	-
Broker Funds				
High Performance	74.3	78.3	-0.2	-
Townhill Mngd Fd Acc	47.6	50.2	-0.8	-
YRA Executive Fd	92.4	97.4	-0.1	-
£ Global Growth Acc	130.5	137.6	----	-
£ High Income Money Acc	111.4	117.7	----	-
IM Balanced	54.3		-0.1	-
H F Speculator Fd	148.4		-0.7	-
PEP Acorn II	118.9		-0.5	-
PEP Cautionary	81.8		----	-
AAFS Int Man Fund	115.2		-0.7	-
Andrews-Green Inv Port	96.9		-0.3	-
Individual Pension Funds				
UK Equity Acc	206.1	217.5	-2.4	-
UK Fixed Interest Acc	169.6	179.0	-0.4	-
Intl Equities Acc	243.6	257.0	-0.8	-
UK Managed Acc	172.8	182.2	-1.3	-
Property Acc	211.4	223.1	-0.3	-
Money Acc	139.1	146.8	+0.1	-
Special Market Acc	260.1	274.4	-1.5	-
Japan Equity Acc	190.3	200.8	-0.8	-
North American Acc	125.4	132.3	-1.9	-
Pacific Acc	187.3	197.6	-0.4	-
Technology Acc	153.4	161.9	-0.3	-
Natural Resources Acc	107.6	113.6	-0.4	-

Royal Heritage Life Assurance Ltd—Contd.

Skandia Life Assurance Co Ltd—Contd.

Sun Alliance Group—Contd.

UK Life Assurance Co Ltd—Contd.

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

ISLE OF MAN (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

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SWITZERLAND (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

IRELAND (SIB RECOGNISED)

GUERNSEY (**)

JERSEY (**)

ISLE OF MAN (**)

LUXEMBOURG (**)

OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

	Bid Price	Offer Price	+ or –	Yield Gross
US Pacific Stock Fund				
NAV Apr 30		$15.59	.....	–
Unico Financial Services SA Lux				
DG Investment Bank Ltd				
Unico Invest. Fund	DM70.24	72.40	.....	3.00
Unico Equity Fund	DM63.28	65.18	.....	3.00
Union-Investment-Gesellschaft GmbH				
Unifonds	DM37.27	39.20	–0.10	–
Unirak	DM80.54	84.60	–0.35	–
Unirenta	DM34.46	35.50	–0.10	–
Viking Fund-SICAV				
§NAV Apr 24 Ecu80.08				
Warburg Inv Mngmt (Isle of Man) Ltd				
Mercury 9h10 Trust (Sicav)				
Dollar Fd BOPUPs	$10.12	10.13	.....	–
Dollar Fd OPUPs	$9.77	9.82	.....	–
Sterling Fd BOPUPs	£10.04	10.05	.....	–
Sterling Fd OPUPs	£11.00	11.06	.....	–
DM Fd BOPUPs	DM9.90	9.91	.....	–
DM Fd OPUPs	DM9.55	9.61	.....	–
Yen Fd BOPUPs	$7.26	7.27	.....	–
Yen Fd OPUPs	$9.68	9.73	.....	–
Wardley Investment Services Ltd				
Wardley S.E. Asia Tst	$12.03	12.76	(z)	0.86
Japanese Warrants	$7.38	7.82	(z)	–
Asian Warrants	$8.65	9.38	(z)	–
European Warrants	$9.61	10.81	(z)	–
Wells Fargo U.S. IT Fund				
NAV April 27		$9.33	.....	–
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.0099	.....	–
Xiphias Int ECU		Ecu1.0127	.....	–
Yamaichi Dynamic Mngt Co SA				
Advanced Tech		$21.15	.....	–

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int. Cr
CAF Money Management Co Ltd				
48 Pembury Road, Tonbridge TN9 2JD			0732 770114	
Calcash Deposit Fd	14.77	–	15.60	3-Mth
The COIF Charities Deposit Account				
2 Fore Street, London EC2Y 5AQ			01-588 1815	
Deposit	14.80	–	15.64	3-Mth
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1R 1NX			01-236 1425	
Call Fund	15.18	11.84	16.25	6-Mth
7-day Fund	14.47	11.29	15.47	6-Mth
Special Fund	15.05	–	16.49	Mth
Dollar	7.00	5.46	7.45	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int. Cr
Aitken Hume Bank plc				
30 City Road, EC1Y 2AY			01-638 6070	
Treasury Acc.	13.50	10.53	14.60	Qtr
Mth Int Dep £1,000-£4,999	13.50	10.53	14.73	Mth
Mth Int Dep £5,000-£49,999	14.00	10.92	15.31	Mth
Mth Int Chq £50,000+	14.50	11.31	15.88	Mth
Allied Trust Bank Ltd				
97-101 Cannon St, London, EC4N 5AD			01-626 0879	
DMINA (£2,001+)	14.78	11.53	16.210	Mth
HICA (£2,001+)	13.90	10.84	15.196	Mth
PRIMINA (£250,001+)	14.90	11.62	16.349	–
Bank of Ireland High Interest Cheque Acc				
36 Queen St, EC4R 1BN			01-625 7000	
2,000-9,999	13.782	10.750	14.921	Qtr
£10,000+	14.103	11.000	15.283	Qtr
Bank of Scotland				
38 Threadneedle St, EC2P 2EH			01 601 6746	
MM Chq Acc £2,500-£24,999	13.40	10.45	14.62	Mth
£25,000+	13.65	10.64	14.91	Mth
Barclays Capital Advantage Account				
94 St Paul's Churchyard EC4M 8EH			01-248 9155	
£10,000+	14.00	10.90	15.13	Qtr
Barclays Prime Account H.I.C.A.				
PO Box 125, Northampton			0604 252891	
£1,000-£2,499	11.80	9.20	12.70	Qtr
£2,500+	12.20	9.50	13.15	Qtr
Benchmark Bank PLC Premier Account				
86 Newman Street, W1P 3LD			01-637 3313	
Small Deposits	10.50	–	–	–
£2,500-£10,000	13.50	10.53	14.60	Qtr
£10,001-£20,000	13.75	10.73	14.89	Qtr
£20,000+	14.50	11.31	15.75	Qtr
B & C Merchant Bank PLC Portfolio Acc				
19 Motcomb Street, London SW1X 8LB			01-245 6616	
£2,500-£9,999	12.38	9.65	13.26	Qtr
£10,000-£49,999	13.75	10.72	14.94	Qtr
£50,000 and above	14.25	11.12	15.50	Qtr
Brown Shipley & Co Ltd				
Founders Court, Lothbury, London EC2			01-606 9833	
Demand Acc.	13.625	10.66	14.79	Qtr
Caledonian Bank Plc				
8 St Andrew Square, Edinburgh EH2 2PP			031 556 8235	
HICA	14.50	11.36	15.13	Yearly
Cater Allen Ltd				
25 Birchin Lane, London EC3V 9DJ			01-623 2070	
HICA	13.50	10.53	14.7378	Mth
Connect £5,000 min	14.25	11.11	15.5400	Mth
Charterhouse Bank Limited				
1 Paternoster Row, EC4M 7DH			01-248 4000	
Sterling	13.00	10.14	14.17	Mth
U.S. Dollar	7.00	5.46	7.47	Mth
German Marks	6.50	5.06	6.94	Mth
Swiss francs	6.00	4.70	6.40	Mth
Japanese Yen	4.50	3.51	4.77	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove W6			01-741 4942	
Money Market Plus				
£2,000-£24,999	11.00	8.50	11.29	Mth
£25,000	11.50	9.00	12.51	Mth
Clydesdale Bank PLC				
30 St Vincent Place, Glasgow G1 2HL			041 248 7070	
HICA £2,000-£9,999	12.2	9.52	13.15	Qtr
£10,000-£19,999	13.0	10.14	14.06	Qtr
£20,000-£49,999	13.2	10.30	14.27	Qtr
£50,000+	13.7	10.69	14.83	Qtr
Co-operative Bank Top Tier				
78-80 Cornhill EC3			0800 616162	
£500-£999	10.2	8.0	10.9	6-Mth
£1,000-£2,499	11.5	9.0	12.3	6-Mth
£2,500-£9,999	12.1	9.5	13.0	6-Mth
£10,000-£49,999	13.4	10.5	14.5	6-Mth
£50,000+	13.7	10.75	14.7	–
Coutts & Co				
Reserve Account				
440 Strand, London WC2R 0QS			01-753 1000	
For personal customers				
£50,000+	13.375	10.125	14.08	Qtr
£20,000-£49,999	13.25	10.00	13.82	Qtr
£5,000-£19,999	12.75	9.625	13.30	Qtr
For businesses, charities and societies				
£100,000-£1,000,000	13.625	10.625	14.74	Qtr
£25,000-£99,999	13.50	10.375	14.90	Qtr
£10,000-£24,999	12.50	9.875	13.66	Qtr
Coutts Composite Account for clients money				
27 Bush Lane, London EC4R 0AA			01-623 3434	
Rates negotiable up to	14.625	11.375	–	–
Dartington & Co Ltd				
10 The Crescent, Plymouth PL1 3AB			0752 673873	
Money Mkt Acc.	13.75	10.72	14.94	Qtr
Edington Plc				
1 King Street, Manchester M2 6AW			061 834 2535	
HICA (£1,000+)	14.405	11.2021	15.44	Qtr
Money Market Deposit Account				
£1-£999	10.00	7.800	10.80	Mth
£1,000-£24,999	13.25	10.368	14.52	Mth
£25,000-£249,999	14.625	11.407	16.08	Mth
£250,000-£999,999	14.750	11.505	16.23	Mth
£1,000,000 upwards	14.875	11.603	16.36	Mth
Ninety Day Notice Account				
£10,000-£24,999	14.75	11.50	15.38	–
£25,000 upwards	15.25	11.90	16.00	–
Financial & General Bank plc				
13 Lowndes Street, London, SW1X 9EX			01-235 0036	
H.I.D.A. £5,000-£15,000	13.40	10.50	14.70	Qtr
H.I D.A. £15,000+	13.67	10.70	15.00	Qtr
Gartmore Money Management Ltd				
2-3 White Hart Yard, London SE1 1NX			01-236 1425	
Money Mngt. Acct.	14.500	11.31	15.73	3-Mth
Girobank plc High Interest Cheque Acc				
10 Milk St., London EC2V 8JH			01 600 6020	
£1,000-£3,999	10.75	8.25	12.33	Yearly
£4,000-£9,999	11.00	8.50	12.67	Yearly
£10,000-£49,999	11.75	10.00	13.53	Yearly
£50,000	12.75	10.50	14.00	Yearly
Humberclyde Finance Group				
Challey Ct, Winchester Rd, Basingstoke			0256 841863	
£50,000+	15.00	11.70	16.30	Qtr
Lloyds Bank High Interest Cheque Account				
71 Lombard St, London EC3P 3BS			01-325 3643	
£5,000+	11.40	9.20	12.80	Mth
£10,000+	11.90	9.40	13.10	Mth
£25,000+	12.2	9.60	13.4	Mth
£50,000+	12.40	10.2	14.30	Mth
M & G/Kleinwort Benson				
M & G Hse., Victoria Rd, Chelmsford			0245 266266	
H.I.C.A. (£2,500+)	13.25	10.335	14.47	Daily
Midland Bank plc				
PO Box 2, Sheffield			0742 528649	
High Int Chq Acc	12.24	9.50	13.13	Qtr
£10,000+	12.78	10.00	13.84	Qtr
£50,000+	13.42	10.50	14.56	Qtr
Premier Savings £5,000+	14.06	11.00	15.07	6-Mth
Exchequer Acc £10,000+	14.70	11.50	15.77	6-Mth
NatWest Special Reserve Account				
41 Lothbury, London, EC2P 2BP			01-374 3374	
£25,000 and above	13.25	10.00	13.84	Qtr
£10,000 to £24,999	12.75	9.625	13.30	Qtr
£2,000-£9,999	12.5	9.375	12.95	Qtr
£500-£1,999	11.75	9.00	12.41	Qtr
Provincial Bank PLC				
30 Ashley Rd, Altrincham, Cheshire			061-928 9011	
H.I.C.A. (£1,000+)	14.125	11.02	15.45	Mth
Royal Bank of Scotland plc Premium Acc				
42 St Andrew Sq, Edinburgh EH2 2YE			031-228 5650	
£50,000+	13.98	10.90	15.14	Qtr
£25,000-£49,999	13.79	10.75	14.92	Qtr
£10,000-£24,999	13.59	10.60	14.71	Qtr
£2,500-£9,999	12.50	9.75	13.49	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB			0708 766966	
H.I.B.A.	13.25	10.34	14.32	Daily
Sterling Bank & Trust Ltd				
Abbey Gdns, 6 Abbey St, Reading RG1 3BA			0734 592543	
HIDA £2,500+	13.70	10.72	14.68	6-Mth
TSB Bank plc (England & Wales)				
100 Lower Thames St, London EC3R 6AQ			01-623 6000	
HICA £1-£499	7.00	5.50	7.33	Yearly
£500-£1,999	9.50	7.50	10.00	Yearly
£2,000-£9,999	11.50	9.00	12.00	Yearly
£10,000-£24,999	11.75	9.30	12.40	Yearly
£25,000+	12.25	9.60	12.80	Yearly
Tyndall & Co Ltd				
29-33 Princess Victoria St, Bristol			0272 744720	
Demand Acc.	13.87	10.82	15.02	Qtr
HIMA	13.75	10.73	14.93	Qtr
HIMA £100,000+	14.00	10.92	15.22	Qtr
Client Plus Acc.	13.37	10.43	14.46	Qtr
J. Henry Schroder Wagg & Co Ltd				
120 Cheapside, London EC2V 6DS			01-382 6000	
Special Acc.	13.750	10.76	15.08	Mth
£10,000 and above	14.000	10.96	15.37	Mth
Western Trust High Interest Cheque Acc				
The Moneycentre, Plymouth PL1 1SE			0752 224141	
£25,000+	14.50	11.31	15.73	Qtr
£5,000-£24,999	14.25	11.12	15.45	Qtr
£1,000-£4,999	14.00	10.92	15.17	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1 7AE			01-606 9485	
High Int Cheque Acc	14.50	11.31	15.79	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT at ...

UNIT TRUST NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm against D-Mark

THE DOLLAR had a slightly firmer tone in quiet trading on the foreign exchanges. Tokyo was closed for a public holiday yesterday and many European centres will be closed today for the May Day holiday. There was no important economic news yesterday and currencies generally lacked direction. US personal income rose 0.8 per cent in March, compared with forecasts of around 0.6 per cent, while consumption rose by the expected amount of 0.4 per cent. The figures had no impact on the dollar, which traded within a narrow range.

At the London close the dollar had improved slightly to DM1.6785 from DM1.6755 and to FFr5.6325 from FFr5.6225, but was unchanged at Y158.80 and fell to SFr1.4510 from SFr1.4560. According to the Bank of England the dollar's index was unchanged at 68.4.

Sterling recovered from a weak start to finish firmer on the day. Trading was thin and nervous ahead of Thursday's local government elections in Britain, amid expectations of losses for the ruling Conservative Party. Fears about the economy are tending to weigh on the pound. Mr John Major, the UK Chancellor, warned yesterday of rising inflation, and last week's disappointing trade figures have not been forgotten, but sterling staged a late rally to finish in London towards the top of the day's range. It gained 30 points to $1.6395.

Sterling also advanced to DM2.7525 from DM2.7425; to FFr9.2350 from FFr9.2000; and to Y260.25 from Y259.75, but eased to SFr2.3800 from SFr2.3825. On Bank of England figures the pound's index fell 0.1 to 86.6.

The Spanish peseta remained at the top of the European Monetary System, and the Italian lira was also firm, close to its divergence limit against the weaker members of the system. The Danish krone and Belgian franc were steady, despite last week's cut in interest rates in Copenhagen and Brussels. The French franc was also little changed after a reduction in the Bank of France's official interest rates last week. The D-Mark finished at FFr3.3555 against the franc in London, compared with FFr3.3550 on Friday, and fell to L732.65 from L733.05 in terms of the lira. In Milan the Bank of Italy bought DM133m and FFr100m as the lira improved at yesterday's fixing.

The Australian dollar was firm, rising to 75.00 US cents from 74.95 in London. Earlier in Sydney the local currency threatened to rise above 75.30 cents until the Reserve Bank of Australia intervened to stem the currency's advance.

Speculation that Australian inflation will remain high enough to keep short term interest rates around 15 per cent is underpinning the local dollar, but intervention by the Reserve Bank is increasing market nerves. Dealers suggested the future for the currency is uncertain, with high yields possibly keeping the currency firm but economic fundamentals threatening to undermine confidence.

EURO-CURRENCY INTEREST RATES

Apr 30	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15-14⅞	15⅛-14⅞	15⅛-15	15⅜-15¼	15⅝-15½	15⅞-15⅞
US Dollar	8¼-8⅛	8¼-8⅛	8⅜-8¼	8½-8⅜	8⅝-8½	8¾-9⅛
Can. Dollar	13-12¾	13-12¾	13¼-13	13½-13¼	13⅝-13⅜	13⅝-13⅜
D. Guilder	8¼-7¾	8¼-7⅞	8⅜-8¼	8⅝-8½	8¾-8⅝	9-8⅞
Sw. Franc	8⅞-8¾	9¼-9	9⅜-9¼	9⅜-9¼	9½-9⅜	9⅝-9½
Deutschmark	7⅞-7¾	7⅞-7¾	8-7⅞	8¼-8⅛	8½-8⅜	9⅛-9
Fr. Franc	9½-9¼	9½-9⅜	9⅝-9½	9¾-9⅝	10-9⅞	10¼-10
Italian Lira	13-11	11½-10½	11¾-11½	11¾-11⅝	12⅛-11⅞	12⅜-12⅛
Belgian Franc	10-9¾	10-9¾	10-9¾	10¼-10⅛	10¼-10⅛	10⅜-10¼
Yen	7⅛-7⅛	7⅛-7⅛	7⅝-7⅛	7⅞-7¾	7¾-7⅝	7⅝-7⅝
D. Krone	11⅝-11⅛	11⅝-11⅛	11⅛-11	11⅞-10⅞	11⅛-11	11⅛-11
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years [illegible] per cent; three years [illegible] per cent; four years [illegible] per cent; five years [illegible] per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

£ IN NEW YORK

Apr 30	Latest	Previous Close
£ Spot	1.6365-1.6375	1.6315-1.6325
1 month	[illegible]	[illegible]
3 months	[illegible]	[illegible]
12 months	[illegible]	[illegible]

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

	£	$
[illegible]	[illegible]	[illegible]
S. Af (Fn)	6.5640-6.6980	4.0160-4.0980
Taiwan	43.15-43.25	26.40-26.45
U.A.E.	5.9770-5.9840	3.6715-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

[illegible]

EMS EUROPEAN CURRENCY UNIT RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE BUND FUTURES OPTIONS; LIFFE EUROMARK OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS

[illegible]

POUND-$ FOREIGN EXCHANGE

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6395	1.6299	1.6133	1.5885	1.5409

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Jun	1.6218	1.6220	1.6192	1.6204
Sep	1.5974	1.5974	1.5950	1.5958
Dec	-	-	1.5782	1.5726

BASE LENDING RATES

	%		%		%
ABN Bank	15	Co-operative Bank	*15	NatWestminster	15
Adam & Company	15	Coutts & Co	15	Northern Bank Ltd	15
Allied Trust Bank	15	Cyprus Popular Bk	15	Nykredit Mortgage Bank	15½
Allied Irish Bank	15	Duncan Bank PLC	15	Provincial Bank PLC	16
● Henry Ansbacher	15	Duncan Lawrie	15	Roxburghe G'rantee	15½
Associates Cap Corp	15½	Equatorial Bank plc	15	Royal Bk of Scotland	15
● B & C Merchant Bank	15	Exeter Trust Ltd	15½	Royal Trust Bank	15
Bank of Baroda	15	Financial & Gen. Bank	15	● Smith & Williamson Secs.	15
Banco Bilbao Vizcaya	15	First National Bank Plc.	16½	Standard Chartered	15
Bank Hapoalim	15	● Robert Fleming & Co.	15	TSB	15
Bank Credit & Comm.	15	Robert Fraser & Ptnrs.	15½	Udt Plc	15
Bank of Cyprus	15	Girobank	15	● United Bk of Kuwait	15
Bank of Ireland	15	● Guinness Mahon	15	United Mizrahi Bank	15
Bank of India	15	HFC Bank plc	15	Unity Trust Bank Plc	15
Bank of Scotland	15	● Hambros Bank	15	Western Trust	15
Banque Belge Ltd	15	Hampshire Trust Plc	15½	Westpac Bank Corp.	15
Barclays Bank	15	Heritable & Gen Inv Bnk.	15	Whiteaway Laidlaw	15
Benchmark Bank PLC	15	● Hill Samuel	§15	Yorkshire Bank	15
Brit Bk of Mid East	15	C. Hoare & Co.	15		
● Brown Shipley	15	Hongkong & Shangh.	15		
CL Bank Nederland	15	● Leopold Joseph & Sons	15		
● Charterhouse Bank	15	Lloyds Bank	15		
Citibank NA	15	Meghraj Bank Ltd	15		
City Merchants Bank	15	McDonnell Douglas Bnk.	15		
Clydesdale Bank	15	Midland Bank	15		
Comm. Bk. N. East	15	Mount Banking	15		
		Nat Bk. of Kuwait	15		

● Members of British Merchant Banking & Securities Houses Association. * Deposit rate 5.5% Savewise 8.5%. Top Tier-£50,000+ instant access 13.7% ‡ Mortgage base rate. § Demand deposit 9%. Mortgage 15.2% - 15.95%

MONEY MARKETS

Record shortage

THERE WAS a record shortage of credit on the London money market yesterday and fixed period interest rates were firm as traders bid for funds to balance books at the end of the month. Three-month sterling interbank rose to 15⅝-15½ per cent from 15⅜-15¼ and 12-month money money firmed to 16-15⅞ per cent from 15⅞-15¾.

The Bank of England initially forecast a day-to-day credit shortage of £2,500m, but revised this to £2,600m at noon, and to £2,650m in the afternoon. The market expected a large shortage, but the published figure was about double most forecasts.

An early round of help was offered and at that time the authorities bought £604m bills, including £22m bank bills outright, in band 2 at 14¾ per cent. Another £582m bills were purchased, for resale to the market in equal amounts on May 8 and 9, at a rate of 14⅞ per cent.

In further operations before lunch the Bank of England purchased £465m bills, including £231m bank bills outright, in band 2 at 14¾ per cent, plus £234m bills for resale to the market in equal amounts on May 8 and 9 at a rate of 14⅞ per cent.

In the afternoon another £1,557m bills were bought, including £1,370m outright, by way of £344m Treasury bills in band 1 at 14⅞ per cent; £207m bank bills in band 1 at 14⅞ per cent; £10m local authority bills in band 2 at 14¾ per cent; and £809m bank bills in band in band 2 at 14¾ per cent. Another £187m bills were purchased, for resale to the market in equal amounts on May 8 and 9 at a rate of 14⅞ per cent. Late assistance of around £25m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £1,937m, with Exchequer transactions absorbing £1,020m, and bank balances below target £120m. These outweighed a fall in the note circulation adding £575m to liquidity.

In Frankfurt call money was volatile on end of month book squaring, but it was not expected that banks would have any problems meeting last month's DM55.1bn reserve requirement. The Bundesbank has offered liquidity to the money market this week, via securities repurchase agreement tenders for 35-day and 63-day money, at variable bid rates. Two earlier facilities totalling DM32.3bn expire tomorrow, after the May Day holiday.

UK clearing bank base lending rate 15 per cent from October 5

FT LONDON INTERBANK FIXING

(11.00 a.m. Apr.30) 3 months US dollars		6 months US Dollars	
bid 8⅜	offer 8½	bid 8⅝	offer 8¾

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10
Broker loan rate	9½
Fed.funds	8¼
Fed.funds at intervention	-

Treasury Bills and Bonds

One month	7.12	Three year	9.05
Two month	7.82	Four year	9.06
Three month	8.07	Five year	9.06
Six month	8.40	Seven year	9.07
One year	8.54	10-year	9.05
Two year	8.90	30-year	9.03

Apr 30	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	7.50-7.75	7.80-7.90	7.95-8.10	8.15-8.30	8.55-8.70	8.00
Paris	9⅝-9⅞	9⅝-9¾	-	9⅞-9⅞	-	9.50
Zurich	8⅝-8⅞	9⅛-9⅜	-	9⅛-9⅜	-	-
Amsterdam	8.31-8.44	8.30-8.40	-	8.58-8.68	-	-
Tokyo	7⅛-7⅛	7⅛-7⅞	-	7⅞-7⅞	-	-
Milan	11⅝-12⅛	11-11½	-	11⅝-12⅛	-	-
Brussels	7.50	9⅞-10	-	10⅛-10⅜	-	-
Dublin	12⅝-13	11⅝-11⅝	11⅝-11⅝	11⅝-11⅞	12⅛-12⅛	-

LONDON MONEY RATES

Apr 30	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	17⅛	15⅛	15⅛	15⅝	15⅞	16
Interbank Bid	12	14⅞	15	15⅜	15⅝	15¾
Sterling CDs	-	-	15⅛	15⅜	15⅝	15⅞
Local Authority Deps.	15⅛	15⅛	15	15⅜	15⅝	15⅝
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	15⅛	15	14⅞	14⅞	-	-
Company Deposits	-	-	15⅛	15⅜	15⅞	15⅞
Finance House Deposits	-	-	15⅛	15⅜	15⅝	15⅝
Treasury Bills (Buy)	-	-	14⅞	14⅞	-	-
Bank Bills (Buy)	-	-	14⅞	14¾	14⅞	-
Fine Trade Bills (Buy)	-	-	15⅞	15⅜	15⅜	-
Dollar CDs	-	-	8.45	8.62	8.80	9.17
SDR Linked Dep. Offer	-	-	9⅛	9⅜	9⅜	9⅞
SDR Linked Dep. Bid	-	-	9	9⅜	9⅜	9⅞
ECU Linked Dep. Offer	-	-	10⅛	10⅞	10⅞	11⅛
ECU Linked Dep. Bid	-	-	10⅛	10⅞	10⅞	11⅛

Treasury Bills (sell); one-month 14⅞ per cent; three months 14⅞ per cent; Bank Bills (sell): one-month 14⅞ per cent; three months 14⅞ per cent; Treasury Bills; Average tender rate of discount 14.6200 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day March 30, 1990. Agreed rates for period April 25 to May 25, 1990, Scheme I: 15.90 p.c., Schemes II & III: 16.57 p.c. Reference rate for period March 1, 1990 to March 30, 1990, Scheme IV&V: 15.311 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15½ from May 1, 1990. Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent; three-six months 13 per cent; six-nine months 13 per cent; nine-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9, 1989. Deposits withdrawn for cash 5 per cent.

LEGAL NOTICES

No. 007779 of 1989

IN HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTER of NORTHERN COMMERCIAL TRUST LIMITED
- and -
IN THE MATTER of THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition was on the 4th December 1989 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the capital of the above-named Company from £3,000,000 to £2 by returning capital which is in excess of the wants of the Company.

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Vinelott at the Royal Courts of Justice Strand London WC2A 2LL on Monday the 14th day of May 1990.

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 1st day of May 1990

Slaughter and May of
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said Company.

IN THE HIGH COURT OF JUSTICE
No. 002498 of 1990
CHANCERY DIVISION
IN THE MATTER of LLOYDS CHEMISTS RETAIL (NORTHERN) LIMITED
-and-
IN THE MATTER of the Companies Act 1985

NOTICE IS HEREBY GIVEN that a petition was on 29th March 1990 presented to Her Majesty's High Court of Justice for the confirmation of the reduction of the Share Premium Account of the above-named Company by £20,375,628

AND NOTICE IS FURTHER GIVEN that the said Petition is directed to be heard before the Honourable Mr. Justice Vinelott at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday 14th Day of May 1990

ANY Creditor or Shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of Share Premium Account should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned solicitors on payment of the regulated charge for the same.

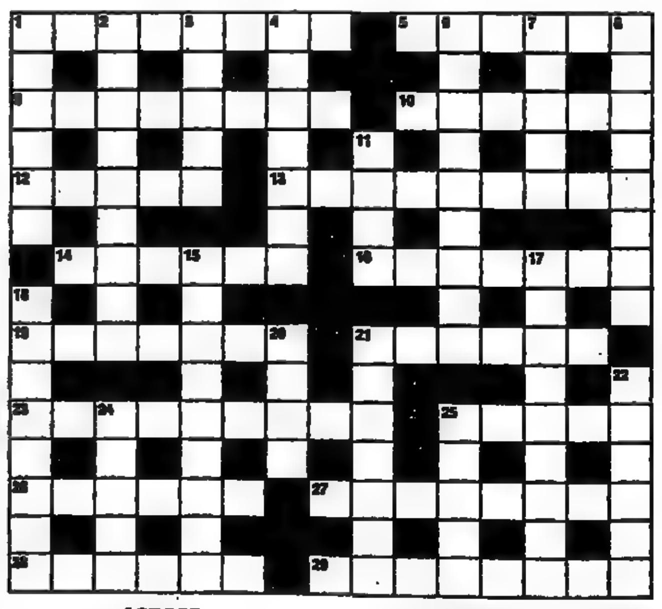
DATED this 1st day of May 1990

Slaughter and May of
35 Basinghall Street,
London EC2V 5DB
Solicitors for the said Company

JOTTER PAD

CROSSWORD

No.7,227 Set by GRIFFIN



ACROSS

1 Seat of unusual charm and appearance (8)
5 See deer outside and call girl (6)
9 Opening article in recent circulation (8)
10 Unmarried char takes in student (6)
12 Dreadful note in funeral song (5)
13 Left one in big room resolving difficult situation (9)
14 Doctor admitted bad wind's a risk (6)
18 Headmaster from Marazion moved here (7)
19 Pity sitting in bath spoilt drink! (7)
21 Wolf got shy note with no name (6)
23 Pass union associate (9)
25 Condescend to check round inside (5)
26 Fashionable party needs alternative type of firework (6)
27 Very large copper slow to kiss (8)
28 Turned key and pulled (6)
29 Has way to enter joint with difficulty (8)

DOWN

1 Programme for "Time and Trouble" (6)
2 Stuffs friend's foreign money in it (9)
3 Pull the man a half, love (5)
4 Grade of nice development having nothing built up in it (7)
6 For "breakdown of sanity" one doctor inserted "hostility" (9)
7 Statutory time to retire in the Fifties (5)
8 Abstaining from rising to carry duck outside (8)
11 Father changes a baby endlessly (4)
15 Be taking part and carrying a banner (9)
17 New to a post he's a manipulator (9)
18 Purity; can it work in a filthy place? (8)
20 Grand in colour, it's enormous! (4)
21 London district church has lease renewed (7)
22 Increase charge for maintenance (6)
24 Loaded youth sent good man away (5)
25 Pronounce fit (5)

Solution to Puzzle No.7,226

WORLD STOCK MARKETS

AUSTRIA
April 30 — Sch — + or −

[illegible]

BELGIUM/LUXEMBOURG
April 30 — Frs. — + or −

[illegible]

DENMARK
April 30 — Kr. — + or −

[illegible]

FINLAND
April 30 — Mks. — + or −

[illegible]

FRANCE
April 30 — Frs. — + or −

[illegible]

JAPAN
April 27 — Yen — + or −

[illegible]

FRANCE (continued)
April 30 — Frs. — + or −

[illegible]

GERMANY
April 30 — Dm. — + or −

[illegible]

GERMANY (continued)
April 30 — Dm. — + or −

[illegible]

ITALY
April 30 — Lire — + or −

[illegible]

ITALY (continued)
April 30 — Lire — + or −

[illegible]

NETHERLANDS
April 27 — Fls. — + or −

[illegible]

NORWAY
April 30 — Kroner — + or −

[illegible]

SPAIN
April 30 — Pts. — + or −

[illegible]

SWEDEN
April 30 — Kronor — + or −

[illegible]

SWITZERLAND
April 30 — Frs. — + or −

[illegible]

SOUTH AFRICA
April 30 — Rand — + or −

[illegible]

AUSTRALIA
April 30 — Aust.$ — + or −

[illegible]

AUSTRALIA (continued)
April 30 — Aust.$ — + or −

[illegible]

HONG KONG
April 30 — H.K.$ — + or −

[illegible]

MALAYSIA
April 30 — MYR — + or −

[illegible]

SINGAPORE
April 30 — S$ — + or −

[illegible]

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO
2pm prices April 30

Quotations in cents unless marked $.

Sales — Stock — High — Low — Close — Chng

[illegible]

INDICES

NEW YORK

DOW JONES	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2645.05	2676.58	2666.44	2654.50	2810.15 (2/1)	2543.24 (30/1)	2810.15 (2/1/90)	41.22 (2/7/32)
Home Bonds	88.77	88.89	89.02	88.92	93.04 (3/1)	88.77 (27/4)	—	—
Transport	1128.20	1139.05	1136.38	1134.07	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	205.72	206.61	206.30	206.05	236.23 (2/1)	203.72 (27/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2687.39 (2691.89) Low 2639.19 (2650.23)

STANDARD AND POOR'S

	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite †	329.11	332.92	332.03	330.36	359.69 (2/1)	322.98 (30/1)	359.80 (9/10/89)	4.40 (1/6/32)
Industrials	383.34	387.89	386.51	384.45	411.20 (2/1)	371.92 (30/1)	411.20 (2/1/90)	3.62 (21/6/32)
Financial	26.59	26.87	26.91	26.82	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	180.74	182.16	182.39	181.51	198.00 (2/1)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	342.64	344.75	344.52	343.89	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	417.98	421.06	420.56	419.19	460.90 (3/1)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	Apr 20	Apr 13	Apr 6	year ago (approx.)
Dow Industrial Div. Yield	4.07	-	4.03	3.62

	Apr 25	Apr 18	Apr 11	year ago (approx.)
S & P Industrial div. yield	3.13	3.05	3.04	3.26
S & P Indl. P/E ratio	14.72	15.08	15.13	12.85

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Illinois Power	3,226,600	15	- 1
USX Corp	2,455,100	35⅛	- ⅛
Bristol Myers	2,064,300	55⅛	+ ⅛
Citicorp	1,767,200	21⅞	- ⅛
Ames Dept. Stores	1,679,900	1⅛	+ ⅛
Gen Electric	1,490,200	63⅞	- ⅛
Black & Decker	1,457,000	13⅛	- 2⅛
Philip Morris	1,376,100	41⅛	- ⅞
McDonalds	1,192,900	30⅞	- ⅛
Europe Fund	1,096,500	15	—

TRADING ACTIVITY

† Volume Millions	Apr 27	Apr 26	Apr 25
New York	130.630	142.629	133.480
Amex	8.955	12.278	13.761
NASDAQ	(u)	115.930	121.709
Issues Traded	(u)	1,948	1,961
Rises	(u)	666	783
Falls	(u)	774	653
Unchanged	(u)	508	525
New Highs	(u)	8	10
New Lows	(u)	75	84

CANADA

TORONTO	Apr 27	Apr 26	Apr 25	Apr 24	1990 HIGH	1990 LOW
Metals & Minerals	2899.30	2949.40	2887.50	2851.90	3453.05 (4/1)	2850.80 (23/4)
Composite	3336.10	3369.50	3343.20	3341.00	4009.47 (3/1)	3336.10 (27/4)
MONTREAL Portfolio	1720.25	1740.65	1724.96	1721.42	2060.90 (3/1)	1720.25 (27/4)

Base values of all Indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Apr 30	Apr 27	Apr 26	Apr 25	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
All Mining (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA						
Credit Aktien (30/12/84)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM						
Brussels SE (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK						
Copenhagen SE (3/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND						
Unitas General (1975)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE						
CAC General (31/12/82)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CAC 40 (31/12/87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GERMANY						
FAZ Aktien (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Commerzbank (1/12/53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DAX (30/12/87)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG						
Hang Seng Bank (31/7/64)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IRELAND						
ISEQ Overall (4/1/88)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ITALY						
Banca Com. Ital. (1972)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JAPAN						
Nikkei (16/5/49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo SE (Topix) (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2nd Section (4/1/68)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
MALAYSIA						
KLSE Composite (4/4/86)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NETHERLANDS						
CBS Tll.Rtn.Gen. (End 1983)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CBS All Shr. Gnl (End 1983)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NORWAY						
Oslo SE (2/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
PHILIPPINES						
Manila Comp (2/1/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SINGAPORE						
SES All-Singapore (2/4/75)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH AFRICA						
JSE Gold (28/9/78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
JSE Industrial (28/9/78)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SPAIN						
Madrid SE (30/12/85)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWEDEN						
Affarsvarlden Ind. (1/2/37)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
TAIWAN**						
Weighted Price (30/6/66)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
THAILAND						
Bangkok SET (30/4/75)	885.97	859.36	854.82	847.03	918.67 (5/1)	740.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	475.4	478.8	478.3	571.0 (4/1)	468.3 (2/4)

**Saturday Apr. 28: Taiwan Weighted Price: 9645.50 Korea Comp Ex. 720.37
& Subject to official recalculation.
Apr. Base values of all Indices are 100 except: Brussels SE, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

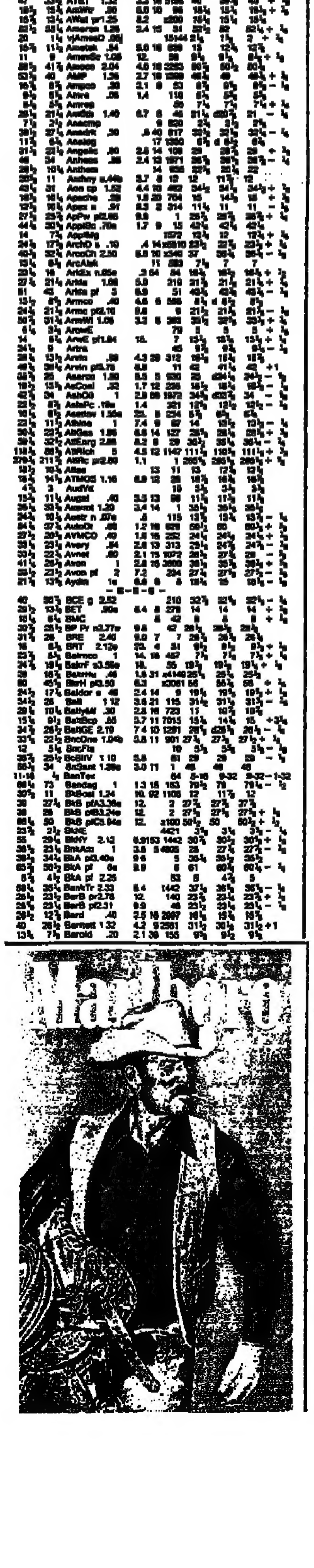
TOKYO - Most Active Stocks
Friday April 27 1990

	Stocks Traded	Closing Prices	Change on day
Isuzu	37.3m	1,100	-40
Osaka Gas	27.4m	835	-15
Nippon Mining	27.2m	881	+33
Suzuki Motor	19.4m	951	-79
Hitachi	18.8m	881	-78
SHI	7.1m	970	-28
Fujitsu	7.1m	1,400	-30
NKK	7.1m	583	-1
Nippon Steel	6.5m	874	0
Showa Denko	5.2m	725	-52

3pm prices April 30

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
37½	20¼	AAR	.48	2.2	13	1807	21⅞	20⅞	21⅜	+ ⅜
9⅛	8	ACM n	1.01	12.		239	8⅜	8	8⅜	+ ⅛
11⅝	10⅛	ACMIn	1.26	12.		410	10⅛	10⅛	10⅛	– ⅛
9⅞	7⅛	ACM M	n1.01	14.		796	7⅛	7⅛	7⅛	– ⅛
12⅛	11⅝	ACMMM				55	11⅝	11⅝	11⅝	
11½	9⅛	ACM Sc	1.26	13.		675	10	9⅞	9⅞	
9⅛	8⅛	ACMSp	1.01	12.		x529	8⅛	8⅛	8⅛	
22⅞	14⅞	AL Lab	.16	.8	20	184	21⅛	21⅛	21⅛	– ⅛
4⅛	3	AMCA	.20e	6.2	10	2	3⅛	3⅛	3⅛	
6⅛	2⅛	AM Intl			8	300	2½	2⅜	2½	+ ⅛
23⅛	12½	AM In pf	2	16.		6	12⅞	12½	12⅞	
107⅛	52⅛	AMR			12	1489	61⅞	61⅛	61⅞	– ⅛
4⅛	3	ARX				116	3⅛	3⅛	3⅛	
72⅛	38	ASA	3a	6.2		690	48⅞	48	48⅞	– ⅞
70⅞	54⅞	AbtLab	1.68	2.5	17	3790	65⅞	65⅛	65½	– ⅞
39⅛	27⅛	AbtLb wi				10	33⅛	33⅛	33⅛	
17⅛	11⅛	AbitibI g	.50			10	12⅛	12⅛	12⅛	+ ⅛
13	8⅞	AcmeC	.40	4.4	11	x35	9⅛	9	9	– ⅛
9⅛	7½	AcmeE	.32	3.8	19	4	8½	8½	8½	
38½	28⅛	Acuson			22	256	34⅛	34⅛	34⅛	+ ⅛
16½	13⅛	AdaEx	2.08e	13.		105	15⅛	15½	15½	– ⅛
15⅛	8⅛	Adobe				49	11⅛	11⅛	11⅛	
20⅛	17½	Adob pf	1.84	9.6		200	18⅛	18⅛	18⅛	
21⅞	18⅞	Adob pf	2.40	12.		63	20⅞	20⅝	20⅝	– ⅛
10½	6⅞	AMD			18	623	8⅞	8½	8½	– ⅛
35	29⅛	AMD pf	3	10.		1	30	30	30	
10½	4½	Advest	.16	3.5	65	13	4⅞	4⅞	4⅞	– ⅛
62½	45⅛	AetnLf	2.76	6.0	8	1793	46⅛	45⅛	46	+ ⅛
14	9⅞	AfilPb	.24	2.3		858	10⅛	10⅛	10⅛	
[illegible]										



Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	16⅝	Rayonr	3.60	15.	6	61	23⅞	23⅝	23½	
85	60	Raythn	2.40	3.9	8	1411	62¾	61¼	62	−⅞
24⅞	21	RdrDg n	.12e	.5		378	23¼	22¾	23⅛	+⅛
5	15-16	RdgB n				241	2	2	2	
17	14⅛	REIT	1.42	9.8	10	37	14⅞	14⅜	14⅜	
16⅝	13½	RItRef	1.72	13.	8	12	13¾	13⅝	13⅝	
12⅞	6	ReenEq				33	6⅛	6⅛	6⅛	
20	12⅝	Reebok	.30	1.7	11	763	17¾	17½	17⅝	+¼
½	5-32	Regal				132	7-16	⅜	7-16	+1-16
16⅝	12½	ReichTg	1.76a	14.	7	1	13	13	13	
8⅝	4⅝	RelGrp	.32	5.7	19	54	5⅝	5⅜	5⅝	+¼
24⅞	18⅜	Repsol n	.27e	1.2		258	22	22	22	−⅛
52⅞	42⅞	RepNY	1.32	3.1	1308	358	43⅛	42⅞	43⅛	+⅜
11¼	1⅞	Rexene				89	2⅞	2½	2½	−⅛
33⅞	18¾	ReyRey	.80	3.8	9	73	21	20⅞	20⅞	−⅛
60⅛	40½	ReyMtl	1.80	3.5	6	1091	52⅝	52	52½	−½
3½	1⅞	RhnP wt				150	2⅞	2⅝	2⅝	−⅜
22	16½	RhnPl n				15	20¼	20⅛	20⅛	
41⅛	29½	RiteAid	.90	2.7	13	1186	32⅞	32¼	32¾	+⅛
11-32	1-16	RvrOak				30	1-16	1-16	1-16	−1-64
14⅛	9⅞	Robtsn			16	149	12½	11⅞	12	−½
22⅛	17¼	RochG	1.56	8.8	9	152	18	17½	17⅞	−⅛
45⅞	29⅞	RochTl	s1.46	4.4	15	102	33⅜	33	33¼	+¼
22⅛	18⅞	RekCtr	1.86	10.	17	411	18⅜	18⅛	18½	
27⅛	19⅞	Rockwl	.78	3.2	10	4592	24⅝	23⅞	24⅝	+⅝
37½	28⅞	RoHaas	1.20	3.8	12	516	31⅞	31¼	31⅞	−⅜
33⅞	18½	Rohr			66	75	19¼	19⅛	19⅛	−⅜
14½	9⅝	RollinE	.08	.7		1158	12	11⅞	12	+¾
21	15⅞	Rollins	.56	3.0	18	145	18⅛	18¼	18½	+⅛
8⅞	7⅛	RolLeas	.20	2.5	9	79	7⅞	7¾	7⅞	

AMEX COMPOSITE PRICES

3pm prices April 30

NASDAQ NATIONAL MARKET

3pm prices April 30

AMERICA

Dow drifts as investors await economic signals

Wall Street

THERE was no sign of a rebound from last Friday's sharp fall yesterday morning, as equities drifted modestly lower in very low volume, *writes Janet Bush in New York.*

At 2pm, the Dow Jones Industrial Average was quoted 2.71 lower at 2,642.34 after volume reached only 73m shares at midsession. The Dow had closed 31.53 lower on Friday, its lowest close since March 1.

Other major indices were also lower at midsession with the Standard & Poor's 500 down 1.10 point at 328.01 and the Nasdaq Composite index of over-the-counter stocks 0.38 down at 417.60. The Treasury bond market edged lower during a quiet morning to leave the benchmark long bond down ¼ point at midsession for a yield of 9.03 per cent.

The focus of both bond and equity markets is whether economic growth has rebounded enough from weakness in January and February for the US Federal Reserve to combat obvious inflationary pressures by tightening monetary policy.

There is a lot more economic evidence due this week, culminating in Friday's April employment release which is expected to show strong growth in the non-farm payroll, not just because of additional hirings to carry out the recent US census.

Also due this week are leading indicators for March, the April report from purchasing managers and the Fed's Tan Book of regional economic reports.

Another consideration is the meeting of finance ministers and central bank governors of the Group of Seven in Paris on Monday in advance of the IMF and World Bank meetings. Amid talk of a coordinated hike in interest rates in Japan, West Germany and US, this meeting is particularly important for the markets.

Among featured stocks yesterday was Baltimore Bancorp which jumped $3¼ to $15 after receiving a $17 a share takeover offer from First Maryland Bancorp, a subsidiary of Allied Irish Banks. Union Texas Petroleum Holdings added $2¼ to $20¼ after the board said that it would explore the sale of the company and other alternatives to boost shareholder value.

Among the country funds, Korea Fund fell $1 to $16⅝ following a record one-day fall on the Korea Stock Exchange because of concern about growing labour unrest.

Pepsico gained $⅞ to $65⅞ after reporting first quarter earnings of 68 cents a share compared with 62 cents share a year earlier.

United Healthcare rose $⅝ to $10⅝ in over-the-counter trading apparently on healthy first quarter earnings from a competitor, US Healthcare.

Nashua gained $⅞ to $40⅞. The company said it planned a Dutch auction offer for about 30 per cent of its common shares and increased its quarterly dividend by 20 per cent.

Canada

TORONTO stocks were steady at lower levels in light, midsession trade. The composite index lost 11.5 to 3,324.6 on volume of 9.74m shares. Declines led advances 250 to 143.

Gold shares lost ground after London spot bullion prices slipped to their lowest level since October 1989. Lac Minerals fell C$¼ to C$12⅛, American Barrick lost C$⅛ to C$18¾, Placer Dome dropped C$⅝ to C$17¼ and Corona eased C$⅛ to C$7⅛.

Sears Canada dropped C$⅛ to C$11⅞ after reporting a loss for the first quarter, mainly due to a drop in big ticket items.

Brazilians digest Collor's bitter medicine

Jacqueline Moore on São Paulo's progress after a lively March for Latin America

BRAZILIAN stocks have recovered some ground after their 55 per cent plunge in dollar terms between the end of February and the end of March on the International Finance Corporation (IFC) index. The market seems to be starting to come to terms with the austerity measures, introduced by the new President Mr Fernando Collor de Mello on March 15, which sent share prices into a nosedive.

The Brazilian fall was March's biggest movement among the emerging markets covered by the IFC, although most of the action was concentrated in the Latin American region. Venezuela and Argentina continued to advance, adding 47.9 per cent and 21.6 per cent in dollar terms, while Colombia fell 24.9 per cent.

Local observers in Brazil believe the Collor programme, which included the blocking of private financial assets, changes to the currency, and tax increases, could revive the country – and the stock market – in the long term. "The new government programme is audacious . . . The measures will restore a favourable climate for investment, both for foreign and domestic investors; . . . it is a giant stride to transforming the '90s," said Mr Mailson da Nobrega, former Finance Minister of Brazil, in London last week.

IFC EMERGING MARKETS INDICES

Market	No. of stocks	PRICE: March 1990	% Change on Feb 31 '90 (Dollar terms)	% Change on Dec '89 (Dollar terms)	March 1990	% Change on Feb 31 '90 (Local currency terms)	% Change on Dec '89 (Local currency terms)	TOTAL RETURN: March 1990	% Change on Feb 31 '90 (Dollar terms)	% Change on Dec '89 (Dollar terms)
Latin America										
Argentina	(24)	263.76	21.6	−37.1	6,604,633	−1.8	115.3	403.76	22.5	−36.6
Brazil	(56)	62.70	−55.1	−51.2	796,092.22	−38.8	79.1	93.98	−54.7	−50.2
Chile	(28)	744.66	0.5	20.3	1,641.80	1.4	16.8	1,275.11	0.7	21.5
Colombia	(20)	190.91	−24.9	−17.9	765.07	−23.2	−11.4	346.04	−23.8	−15.8
Mexico	(54)	620.87	0.2	7.3	8,875.31	0.9	10.5	834.47	1.0	8.2
Venezuela	(13)	116.87	47.9	56.0	660.71	44.2	52.0	140.54	48.0	56.4
East Asia										
Korea	(63)	413.68	−3.9	−11.5	345.95	−3.3	−9.6	707.30	−3.9	−11.3
Philippines	(29)	1,884.19	4.5	−2.3	2,097.78	5.6	−1.2	2,367.01	4.6	−0.2
Taiwan, China	(64)	1,435.53	−11.2	10.4	959.97	−9.7	11.9	1,597.44	−11.1	10.6
South Asia										
India	(60)	199.05	11.4	−2.0	274.17	12.8	−0.3	237.99	11.4	−2.0
Malaysia	(62)	156.63	−5.0	3.2	176.13	−4.2	4.2	188.60	−4.8	3.6
Pakistan	(49)	121.17	0.2	1.7	167.05	0.2	1.4	191.67	1.7	3.4
Thailand	(34)	371.02	1.5	−8.3	353.29	2.3	−7.4	816.96	3.3	−6.2
Europe/Middle East/Africa										
Greece	(26)	361.77	5.3	28.6	459.53	6.9	34.2	587.43	5.4	28.7
Jordan	(25)	96.37	−2.0	4.7	169.81	−1.9	9.0	124.02	2.3	9.2
Nigeria	(22)	36.09	1.2	5.6	351.78	1.7	11.6	55.24	1.2	8.1
Portugal†	(27)	582.29	−4.4	−11.0	561.44	−3.0	−10.9	1,053.88	−2.9	−9.2
Turkey‡	(18)	298.17	−11.3	23.6	962.07	−8.7	31.8	4,288.51	−11.3	23.6
Zimbabwe	(16)	(u)	(u)	(u)	(u)	(u)	(u)	(u)	(u)	(u)

Source: International Finance Corporation. Base date: Dec 31,1984. †Jan 1986 = 100. ‡Dec 1986 = 100. (u) = unavailable

Mr Roger Wright, the chief executive of the fund management department at Garantia, a Brazilian asset management company and subsidiary of Banco de Investimentos Garantia, explained that the measures had sliced daily turnover from an average $53.4m in 1989 to about $10m to $15m, because of the liquidity squeeze. After the sharp fall in March, however, prices have rebounded and turnover has picked up; the São Paulo Bovespa dollar-adjusted index, which stood at 1.61 towards the end of March, closed at 3.16 on Monday in turnover of $17.6m, although it remains about 50 per cent below its mid-March level.

Price/earnings ratios had fallen from an average 6.2 last year to about 3.5, compared with a peak last decade of 11.8 in 1985 and a trough of 4.2 in 1982, said Mr Wright. He predicted that this year would be one of stabilisation for companies and for the market, but that growth would resume in 1991.

ASIA PACIFIC

Seoul suffers record daily loss

TOKYO'S closure yesterday, for the first of the Golden Week holidays, left Pacific Rim markets upset by Wall Street's fall on Friday and by their own domestic troubles.

SEOUL plunged on news that the Government had no intention of supporting the market and as industrial relations continued to deteriorate. The composite index fell 31.71, or 4.4 per cent, to 688.66, the largest daily decline ever. The index now stands at its lowest level since October 13, 1988.

Protests by investors against falling share prices continued, prompting some brokers to close. Overall trading was thin.

AUSTRALIA fell on concerns about the future of Elders IXL, after UK regulators said on Friday that they would investigate a proposed restructuring of Elders' UK brewing interests with Grand Metropolitan. The stock dropped 7 cents to A$1.67. The All Ordinaries index fell 22.0 to 1,434.5.

NEW ZEALAND was unsettled by threats of a strike by data processors at the country's four biggest banks. The Barclays index fell 29.32 to 1,673.40, the lowest close since February 1988.

HONG KONG was depressed by Wall Street and the possibility that the US would strip China of its Most Favored Nation status, so hitting trade. The Hang Seng Index fell 36.24 to 2,950.09.

TAIWAN came under renewed selling pressure when the index went through the 9,400 support level. The weighted index, which dropped 48.28 on Saturday, plunged an additional 373.13 to close at 9,292.37.

MANILA suffered as the electricity crisis continued and rumours of a coup attempt persisted. The composite index fell 40.76 to 937.57.

Vienna falls furthest as the world heads lower

THERE WAS scant fare in the world's stock markets last week, with every one of them recording a decline according to the FT-Actuaries World Indices. The falls were modest, however, with only Austria dropping by more than 4 per cent.

Of the leading markets, West Germany and the UK were the worst performers, with falls of 3.8 and 3.7 per cent respectively. West Germany was still worried about the inflationary impact of monetary union between East and West, and concerned about forthcoming industrial action by members of IG Metall, the metalworkers' union. The UK was unnerved by a worse-than-expected March trade deficit, falling bonds and sterling, and some poor company results, especially in the property sector.

The US fell 1.8 per cent, extending its loss over four weeks to 3.1 per cent. Fears of higher interest rates, particularly after a larger-than-expected rise in durable goods orders in March announced on Tuesday, and a declining bond market hit share prices.

While other leading markets fell by more than the overall World Index, which lost 1.7 per cent last week, Japan was in a more resilient mood, easing only 0.4 per cent. It is still the world's worst performer this year, however, standing 24 per cent lower in local currency terms.

Austria lost 6.3 per cent last week as investors began to wonder whether they had been over-optimistic about eastern European prospects. Last week's fall, however, was only a slight dent in the market's performance this year; it remains more than 39.2 per cent up in local terms since the start of 1990.

Jacqueline Moore

MARKETS IN PERSPECTIVE

	% change in local currency †: 1 Week	4 Weeks	1 Year	Start of 1990	% change sterling †: Start of 1990	% change in US $ †: Start of 1990
Austria	−6.26	−9.46	+84.38	+39.18	+37.51	+39.56
Belgium	−1.60	−1.66	−3.82	−7.84	−6.69	−5.31
Denmark	−1.95	−6.48	+18.58	−1.96	−0.49	+0.99
Finland	−2.52	−7.61	−20.34	−3.88	−3.77	−2.34
France	−2.38	+4.61	+20.03	+1.73	+3.14	+4.67
W. Germany	−3.75	−7.45	+32.18	+2.77	+2.22	+3.74
Ireland	−3.35	−4.21	+7.96	−2.36	−0.94	+0.53
Italy	−2.15	+1.43	+9.66	−1.20	+0.52	+2.02
Netherlands	−3.38	−3.94	−0.15	−6.70	−6.80	−5.41
Norway	−3.65	−7.19	+12.69	+8.89	+8.40	+10.02
Spain	−1.43	+8.29	−9.99	−8.57	−8.26	−6.89
Sweden	−0.47	+5.41	+11.98	−4.34	−4.32	−2.89
Switzerland	−2.02	−3.08	+4.85	−8.65	−4.65	−3.23
UK	−3.68	−6.22	−2.46	−13.05	−13.05	−11.76
EUROPE	−3.08	−3.40	+7.26	−6.01	−5.45	−4.05
Australia	−2.41	−5.33	+0.08	−11.09	−16.88	−15.65
Hong Kong	−2.71	−0.15	−5.90	+6.22	+3.85	+5.40
Japan	−0.41	+0.76	−14.61	−24.34	−32.49	−31.48
Malaysia	−2.83	−9.14	+17.63	−8.75	−10.67	−9.33
New Zealand	−2.05	+1.59	−7.83	−12.63	−16.78	−15.55
Singapore	−2.84	−6.29	+14.36	+1.68	+1.45	+2.96
Canada	−0.72	−7.76	−6.50	−13.96	−15.59	−14.33
USA	−1.82	−3.14	+5.67	−6.95	−8.32	−6.95
Mexico	−0.78	+7.11	+159.83	+30.91	+23.46	+25.32
South Africa	−2.30	−7.38	+20.86	+2.48	−12.25	−10.94
WORLD INDEX	−1.67	+2.06	−2.64	−13.82	−17.90	−16.67

† Based on April 27th 1990. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited.

EUROPE

Bourses anticipate holiday in gentle decline

BOURSES FINISHED April in gentle decline yesterday, anticipating today's May Day holiday. Amsterdam was closed for Queen's Day, *writes Our Markets Staff.*

PARIS relied on a few items of corporate news to provide interest. The announcement that Navigation Mixte, the holding company, is setting up a joint insurance company with Allianz of West Germany took some of the speculation out of the French stock. Mixte, which was the object of an abortive takeover attempt by Paribas last year, fell FFr110 to FFr1,940, the day's largest decline in percentage terms, in light trading.

One of the day's most active stocks was Saint-Gobain, which eased FFr2 to FFr600 after Moody's Investors Service of the US said that it might downgrade the glass-maker's Prime-1 debt rating. This follows Saint-Gobain's purchase last week of Norton, the US abrasives manufacturer.

LVMH, the drinks and luxury goods group, dropped FFr75 to FFr4,685 after hitting a day's low of FFr4,633. Volume shrank to 15,120 shares, after the busy trading at the end of last week following Thursday's court decisions and the resignation of Mr Henry Vuitton. One salesman said: "Some of the speculation has to come out in the short term," adding that he would like to see an indication of how earnings at Louis Vuitton, the luggage arm, had been affected by the falling yen.

Renault rose FFr27 to FFr1,839 after the carmaker said it would pay a dividend for the first time since 1980.

The CAC 40 index lost 19.81 to 2,046.46 in turnover of about FFr1.5bn, down from Friday's FFr2.1bn.

FRANKFURT saw the DAX index another 12.27 lower at 1,813.25 as turnover hit a new low for the year, DM3.7bn against DM6.3bn on Friday.

The most active stock of the day was Veba, which fell DM1.50 to DM448. While Veba said that it had made a DM350m profit on last week's sale of just over 50 per cent of Feldmühle Nobel to Stora, the Swedish forestry group, there were still profits to be taken after its rise from DM439.50 in the middle of last week.

Steels and engineerings fell as the metalworkers' union, IG Metall, began warning of strikes in some key companies. Thyssen dropped DM5 to DM287 and Linde DM8 to DM950, the latter in spite of a strong County NatWest buy-recommendation on agreed and proposed East German joint ventures. The engineering industry association, VDMA, said later that March engineering orders were flat compared with the same month of 1989.

The day's most severe decline came in Horten, the BAT-controlled retailer, which halved its dividend last Friday. The shares fell DM30 to DM282, down 24 per cent from their high for this year.

MILAN eased in thin trading, the Comit index losing 1.71 to 689.61. Turnover was estimated at well below Friday's modest L140bn. Traders expected business to remain quiet until Sunday's local elections.

Among individual stocks, Olivetti slipped L121 to L7,072 as speculative interest evaporated after the company's statement on Friday that it was considering some form of partnership with Philips.

Alitalia rose L95 to L1,850 after reporting a loss of L151bn in 1989 on Friday and suspending the dividend on its savings and preferred shares. Dealers said the market had discounted these developments.

ZURICH fell in reaction to declines in Frankfurt and high interest rates, but share prices finished above their day's lows in thin trading. Nestlé said that the weak market would lead it to cancel its planned capital increase; the food company's bearers lost SFr100 to SFr8,250 and its registered shares dropped SFr100 to SFr7,975. The Crédit Suisse index slipped 4.0 to 577.2.

STOCKHOLM marked the Stora/Feno deal with a SKr5 rise to SKr295 in the bidder's shares. Elsewhere, the market was very slack and the Affärsvärlden General index fell 8.7 to 1,152.9.

Mr David Longmuir of Kleinwort Benson observed that Sweden was no longer a good place to make paper, with fuel and labour costs escalating; and that Stora had just bought the largest paper and board manufacturer in the EEC, in the Community's largest single market for these products.

VIENNA dropped as the pessimism deepened, with the bourse index down 20.92, or 3.2 per cent, at 631.41.

SOUTH AFRICA

JOHANNESBURG was steady before today's May Day holiday and talks between the Government and the ANC later this week. The overall share index rose 3 to 3,032.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of stocks per grouping	FRIDAY APRIL 27 1990: US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	THURSDAY APRIL 26 1990: US Dollar Index	Pound Sterling Index	Local Currency Index	DOLLAR INDEX: 1990 High	1990 Low	Year ago (approx)
Australia (81)	127.69	−1.6	115.68	113.29	−0.6	6.12	129.82	117.79	114.02	158.31	127.69	135.19
Austria (19)	254.28	−1.1	230.36	222.59	−0.8	1.20	257.00	233.19	224.36	285.63	193.15	123.44
Belgium (61)	146.46	−0.4	132.69	125.15	−0.5	4.65	146.99	133.37	125.79	160.02	132.11	133.58
Canada (120)	130.37	−1.3	118.11	109.84	−1.0	3.63	132.03	119.79	110.95	153.61	130.37	136.73
Denmark (34)	244.63	+0.2	221.62	212.52	+0.4	0.99	244.14	221.52	211.69	260.82	236.69	180.28
Finland (26)	130.18	−0.3	117.94	108.70	−0.3	2.46	130.61	118.51	109.03	152.29	129.99	154.82
France (125)	163.32	+0.0	147.96	144.04	−0.3	2.80	163.36	148.22	144.53	166.43	141.69	120.38
West Germany (94)	128.35	−0.3	116.28	111.81	−0.7	1.97	128.77	116.84	112.60	137.71	122.05	86.55
Hong Kong (48)	123.46	−0.9	111.85	123.50	−0.9	5.04	124.59	113.05	124.59	126.90	112.24	131.42
Ireland (17)	182.50	−0.3	165.34	160.77	−0.6	2.67	183.12	166.15	161.77	198.57	181.49	150.06
Italy (96)	100.42	+0.5	90.97	92.11	+0.1	2.49	99.92	90.66	92.00	103.73	91.85	81.74
Japan (454)	135.25	+0.2	122.53	135.76	+0.3	0.61	134.95	122.44	135.37	197.26	124.40	189.31
Malaysia (35)	207.66	+0.1	188.13	217.21	+0.0	2.49	207.51	188.28	217.22	245.32	207.04	177.93
Mexico (13)	407.87	−0.2	369.51	1253.09	−0.2	0.41	408.51	370.65	1255.06	412.02	324.53	181.64
Netherland (43)	136.10	−0.5	123.30	117.09	−0.9	4.61	136.82	124.14	118.12	145.66	130.43	121.20
New Zealand (17)	60.88	−1.7	55.16	56.30	−1.0	7.79	61.97	56.22	56.86	75.36	60.31	70.83
Norway (24)	219.87	−0.7	199.19	194.80	−0.6	1.61	221.36	200.85	195.97	245.90	202.34	186.68
Singapore (25)	182.45	+0.6	165.29	157.77	+0.6	1.91	181.29	164.49	156.77	199.36	179.70	153.50
South Africa (60)	175.02	+0.7	158.56	155.84	+0.7	3.80	173.80	157.70	154.75	251.39	173.80	141.87
Spain (42)	151.84	−0.8	137.56	122.22	−0.6	4.34	153.01	138.83	122.93	165.19	132.84	153.79
Sweden (35)	186.50	−0.5	168.98	168.41	−0.5	2.39	187.45	170.08	169.20	206.95	173.89	159.17
Switzerland (65)	91.03	−0.3	82.47	82.17	−0.6	2.51	91.28	82.82	82.65	99.12	88.75	75.56
United Kingdom (306)	140.04	−1.1	126.87	126.87	−1.3	5.21	141.66	128.53	128.53	164.31	140.04	148.38
USA (537)	133.11	−1.1	120.59	133.11	−1.1	3.62	134.61	122.14	134.61	145.40	130.61	125.97
Europe (987)	136.62	−0.6	123.77	120.63	−0.8	3.68	137.38	124.65	121.58	146.68	135.57	120.62
Nordic (119)	187.08	−0.2	169.49	159.57	−0.1	1.74	187.54	170.16	159.59	201.89	185.01	155.57
Pacific Basin (660)	134.45	+0.1	121.80	134.23	+0.2	0.95	134.28	121.83	133.93	192.75	124.63	184.69
Euro-Pacific (1647)	135.68	−0.2	122.92	129.27	−0.2	2.06	135.89	123.29	129.51	174.18	130.35	159.09
North America (657)	132.85	−1.1	120.36	131.57	−1.1	3.62	134.38	121.91	133.05	145.78	131.02	126.52
Europe Ex. UK (681)	132.48	−0.2	120.02	116.13	−0.5	2.60	132.77	120.47	116.69	136.21	124.81	103.35
Pacific Ex. Japan (206)	124.18	−1.1	112.50	113.55	−0.6	5.33	125.62	113.97	114.24	139.32	124.18	129.29
World Ex. US (1840)	136.04	−0.2	123.24	129.19	−0.2	2.13	136.28	123.65	129.45	173.77	131.30	158.15
World Ex. UK (2071)	133.37	−0.4	120.83	130.76	−0.4	2.38	133.96	121.55	131.34	162.00	130.80	145.30
World Ex. So. Af. (2317)	133.70	−0.5	121.13	130.17	−0.5	2.63	134.39	121.94	130.86	161.84	131.95	145.59
World Ex. Japan (1923)	134.62	−0.9	121.96	127.72	−0.9	3.71	135.82	123.24	128.94	145.52	134.62	124.65
The World Index (2377)	133.95	−0.5	121.35	130.35	−0.5	2.64	134.63	122.16	131.03	162.05	132.25	145.56

Constituent change 30/4/90: Deletion: Feldmuehle Nobel (West Germany).Latest prices were unavailable for this edition.